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Secretary's Management Report Required by P.L. 100 - 504

October 1, 1989 - March 31, 1990

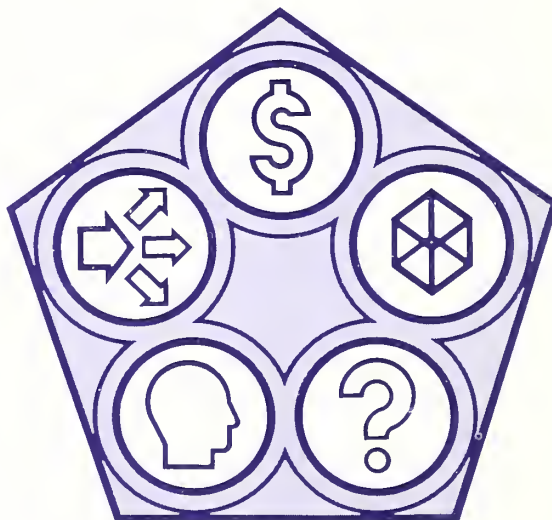


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INTRODUCTION

This is the second semiannual Management Report to the Congress required by the Inspector General Act Amendments of 1988 (Public Law 100-504). The report identifies actions taken by the Department of Agriculture (USDA) management in response to recommendations contained in audits issued by the USDA's Office of Inspector General (OIG). This report is for the period October 1, 1989, through March 31, 1990.

During the last 6 months, USDA's Office of Finance and Management (OFM) refined its automated audit management system to monitor corrective actions taken on audit recommendations more effectively. OFM monitored 471 audits containing 3,264 recommendations. This included 300 audits carried over from the prior 6-month period. Of the 471 reports in OFM's audit management system, management made decisions on 1,323 recommendations contained in 171 audits and took final action on 201 audits involving 889 recommendations. Two hundred and seventy (270) audits with 2,375 recommendations are pending.

Three hundred and forty-six (346) audits with monetary findings totaling \$2,556,192,715 needed final action during this period. Management evaluated the findings and recommendations included in these audits and OIG agreed with the decisions concerning the planned corrective actions. Two hundred and forty-six (246) audits had questioned costs totaling \$75,520,625 and management decided to disallow these costs. Administrative and judicial appeals reduced this amount by \$2,541,303. An additional \$5,268,170 was found to be allowable as a result of further evidence provided after management decisions were reached. Also, during this 6-month period, management collected a total of \$20,561,414 in disallowed costs.

OIG identified \$2,480,672,090 in funds to be put to better use in 100 audits. Of this amount \$2,614,380 was reduced by contracting officers' decisions.

In cooperation with the OIG, training was conducted for USDA personnel involved in audit followup, management decisions, and final actions. The training emphasized the importance of prompt, corrective action on audit recommendations.

USDA issued Departmental Regulation (DR) 1720-1, "Audit Followup, Management Decisions, and Final Actions." This Regulation set forth USDA's policies, procedures, and responsibilities for rendering management decisions and taking final actions on recommendations resulting from OIG audit reports.

The following tables represent a summary status of audits for the Department. Audits under appeal or requiring legislative solutions and the statistical tables showing final action taken on audits with monetary findings are shown in the Appendix.

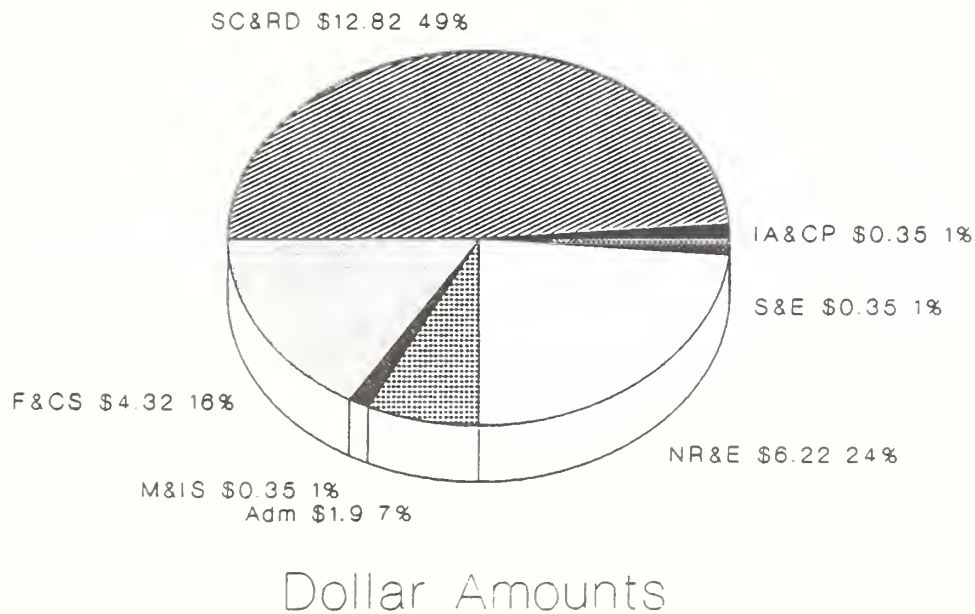
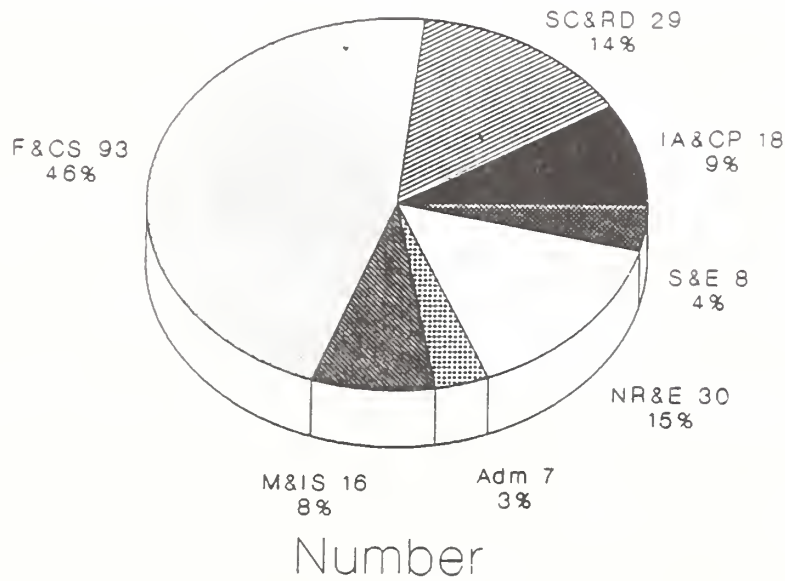
DEPARTMENTWIDE STATISTICAL TABLES

OIG AUDITS WITH FINAL ACTION FOR THE 6-MONTH PERIOD

These audits represent final actions taken by the agencies and accepted by OFM for the current reporting period.

<u>Agency</u>	<u>Number</u>	<u>Percent</u>
<u>Under Secretary for International Affairs and Commodity Programs (IA&CP)</u>		
Agricultural Stabilization and Conservation Service (ASCS).....	16	8.0%
Foreign Agricultural Service (FAS).....	2	1.0
Office of International Cooperation and Development (OICD).....	0	0.0
Subtotal	18	9.0
<u>Under Secretary for Small Community and Rural Development (SC&RD)</u>		
Farmers Home Administration (FmHA).....	23	11.4%
Federal Crop Insurance Corporation (FCIC).....	4	2.0
Rural Electrification Administration (REA).....	2	1.0
Subtotal	29	14.4
<u>Assistant Secretary for Food and Consumer Services (F&CS)</u>		
Food and Nutrition Service (FNS).....	93	46.2%
<u>Assistant Secretary for Marketing and Inspection Services (M&IS)</u>		
Federal Grain Inspection Service (FGIS).....	1	0.5%
Agricultural Marketing Service (AMS).....	4	2.0
Animal and Plant Health Inspection Service (APHIS).....	4	2.0
Food Safety and Inspection Service (FSIS).....	6	3.0
Packers and Stockyards Administration (PSA).....	1	0.5
Subtotal	16	8.0
<u>Assistant Secretary for Administration (ADM)</u>		
Office of Finance and Management (OFM).....	2	1.0%
Office of Operations (OO).....	3	1.5
Office of Information Resources Management (OIRM).....	2	1.0
Subtotal	7	3.5
<u>Assistant Secretary for Natural Resources and Environment (NR&E)</u>		
Forest Service (FS).....	26	12.9%
Soil Conservation Service (SCS).....	4	2.0
Subtotal	30	14.9
<u>Assistant Secretary for Science and Education (S&E)</u>		
Agricultural Research Service (ARS).....	2	1.0
Cooperative State Research Service (CSRS).....	1	0.5
Extension Service (ES).....	5	2.5
Subtotal	8	4.0
TOTAL	201	100%

OIG Audits with Final Action For The 6-Month Period

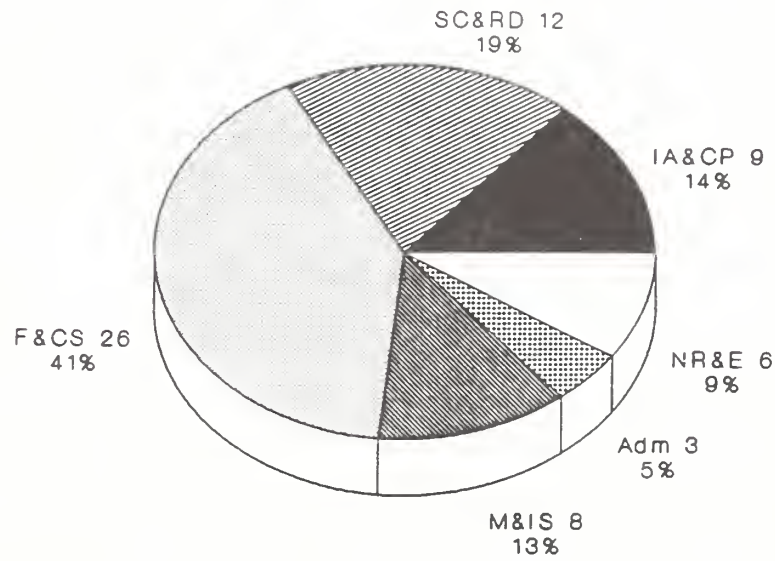


Dollars in millions

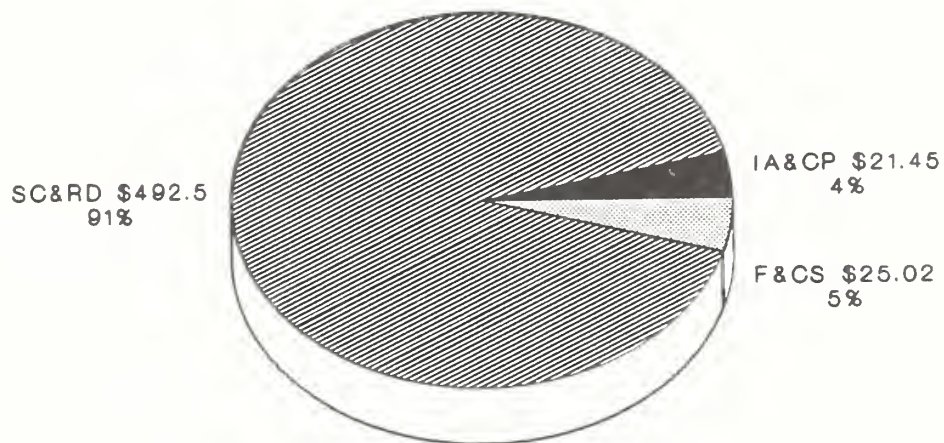
OIG AUDITS INCOMPLETE 1 YEAR FROM THE DATE OF THE MANAGEMENT DECISION

<u>AGENCY</u>	<u>NUMBER</u>	<u>PERCENT</u>
<u>Under Secretary For International Affairs and Commodity Programs (IA&CP)</u>		
ASCS.....	9	<u>14.1%</u>
<u>Under Secretary for Small Community and Rural Development (SC&RD)</u>		
FmHA.....	11	17.2%
REA.....	1	1.6
Subtotal	<u>12</u>	<u>18.8</u>
<u>Assistant Secretary for Food and Consumer Services (F&CS)</u>		
FNS.....	26	<u>40.6%</u>
<u>Assistant Secretary for Marketing and Inspection Service (M&IS)</u>		
FGIS.....	1	1.6%
AMS.....	2	3.1
APHIS.....	3	4.7
FSIS.....	2	3.1
Subtotal	<u>8</u>	<u>12.5</u>
<u>Assistant Secretary for Administration (ADM)</u>		
OIRM.....	3	<u>4.7%</u>
<u>Assistant Secretary for Natural Resources and Environment (NR&E)</u>		
FS.....	5	7.8%
SCS.....	1	1.6
Subtotal	<u>6</u>	<u>9.4</u>
TOTAL	<u>64</u>	<u>100%</u>

OIG Audits Incomplete 1 Year From the Date of the Management Decision



Number



Dollars

Dollars in millions

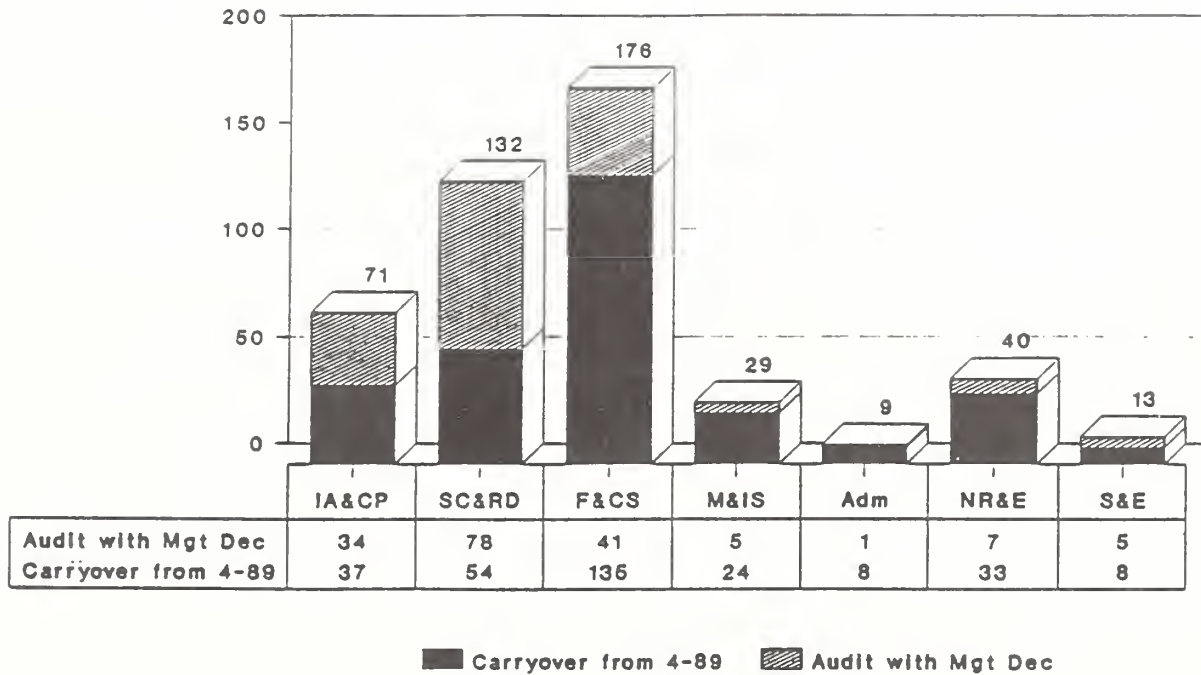
AUTOMATED AUDIT MANAGEMENT SYSTEM

The statistics in this table depict audits in the Department's Automated Audit Management System for the last 6 months. They have been included so that a comparison of the total universe of audits can be made against other tables in this report.

Agency	Carryover from April 1, 1989- September 30, 1989 Report		Audits with Management Decisions October 1, 1989- March 31, 1990		Total Audits	
	Number	Percent	Number	Percent	Number	Percent
<u>Under Secretary for International Affairs and Commodity Programs</u>						
ASCS	36	12.0%	31	18.1%	67	14.2%
FAS	1	0.3	2	1.2	3	0.6
OICD	0	0.0	1	0.6	1	0.2
<u>Under Secretary for Small Community and Rural Development</u>						
FmHA	38	12.7%	26	15.2%	64	13.6%
FCIC	13	4.3	51	29.8	64	13.6
REA	3	1.0	1	0.6	4	0.8
<u>Assistant Secretary for Food and Consumer Services</u>						
FNS	135	45.0%	41	24.0%	176	37.4%
<u>Assistant Secretary for Marketing and Inspection Service</u>						
FGIS	1	0.3%	0	0.0%	1	0.2%
AMS	7	2.3	2	1.2	9	1.9
APHIS	5	1.6	0	.0	5	1.1
FSIS	10	3.0	3	1.8	13	2.8
PSA	1	0.3	0	.0	1	0.2
<u>Assistant Secretary for Administration</u>						
OFM	3	1.0%	0	.0%	3	0.6%
OO	2	0.7	1	0.6	3	0.6
OIRM	3	1.0	0	.0	3	0.6
<u>Assistant Secretary for Natural Resources and Environment</u>						
FS	25	8.3%	1	0.6%	26	5.5%
SCS	8	2.7	6	3.5	14	3.1
<u>Assistant Secretary for Science and Education</u>						
ARS	2	0.7%	2	1.2%	4	0.8%
CSRS	2	0.7	1	0.6	4	0.8
ES	4	1.3	2	1.2	5	1.1
<u>USDA Welfare and Recreation Association</u>						
WRA	1	0.3%	0	.0%	1	0.2%
TOTAL	<u>300</u>	<u>100%</u>	<u>171¹</u>	<u>100%</u>	<u>471</u>	<u>100%</u>

Automated OFM Audit Management System

Number of Audits



AUDITS UNDER APPEAL OR LEGISLATIVE SOLUTIONS

During the period April 1, 1989, through September 30, 1989, the Department reported 24 audits under either administrative or judicial appeal. The following table shows an increase of six audits in these two categories for this period. Part of this increase is attributable to the inclusion of data not available during the last reporting period. A breakout by agency is shown on page 82 of the Appendix.

<u>Administrative Appeal</u>	<u>Judicial Appeal</u>	<u>Legislative Solutions</u>
22 ²	9 ²	2
=	=	=

¹Of the 171 audits shown on this chart, 24 audits reflect more than one USDA agency having to take corrective action.

²Separate portions of one audit are under both administrative and judicial appeal.

Departmentwide
Final Action on OIG Audits with Disallowed
Costs and With Recommendations to Put Funds to Better Use
For the 6-Month Period Ending March 31, 1990

	Number of Audit Reports	Disallowed Costs	Number of Audit Reports	Funds to be Put to Better Use
A. Management decisions with no final action at the beginning of the period	145	\$50,870,335 ⁴	53	\$2,135,132,971 ⁵
B. Management decisions made during the period	101 ¹	24,650,290 ²	47	345,539,119 ⁵
C. Final action taken during the period	77	2,874,824	30	480,699,982
1. Recoveries				
(a) Collections		12,599,564		
(b) Other		7,961,850		
2. Write-offs		263,290		
3. Total (1 + 2)		20,824,704 ³		
4. Recommendations (completed)				7,552,223
5. Recommendations not implemented				1,165,209
6. Total (4 + 5)				\$8,717,432
D. Reports needing final action at the end of the period	169		70	

See footnotes on the next page.

(Departmentwide continued)

¹The number of audits with management decisions made during the period include all single audits performed under the Office of Management and Budget (OMB) Circulars A-110, "Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations," A-128, "Audits of State and Local Governments," and A-133, "Audits of Institutions of Higher Education and Other Non-Profit Institutions," for which USDA agencies must take action. OIG reports only on single audits for which they are cognizant.

²This amount includes \$343,755 in disallowed costs for single audits performed under OMB Circulars A-110, A-128, and A-133.

³This amount includes \$289,173 for collection action taken on 18 audits without final action, and writeoffs of \$9,931 on two audits without final action.

⁴Administrative and judicial appeals reduced this amount by \$2,541,303. An additional \$5,268,170 was found to be allowable as a result of further evidence provided after management decisions were reached. Additionally, the disallowed costs are overstated because they include monetary audits under administrative or judicial appeal.

⁵Of these two amounts \$2,614,380 was reduced by contracting officers' decisions. Agencies are now questioning \$177,691,044 shown in OIG reports.

YEARLY OIG AUDIT RECAP

The following table depicts the status of USDA OIG audits for the period April 1, 1989, through March 31, 1990.

Agency	Total Audits		Audits With Final Action		Audits Incomplete Within 1 Year		Total Disallowed Costs		Total Funds to be Put to Better Use	
	Number	Percent	Number	Percent	Number	Percent	Dollars	Percent	Dollars	Percent
<u>Under Secretary for International Affairs and Commodity Programs</u>										
ASCS	67	14.2%	16	8.0%	9	14.1%	\$26,326,951	34.9%	\$1,021,094,671	41.3%
FAS	3	0.6	2	1.0	0	0.0	0	0.0	180,346,925	7.3
OICD	1	0.2	0	0.0	0	0.0	0	0.0	0	0.0
<u>Under Secretary for Small Community and Rural Development</u>										
FmHA	64	13.6%	23	11.4%	11	17.2%	23,773,499	31.5%	816,674,170	32.9%
FCIC	64	13.6	4	2.0	0	0.0	6,012,094	7.9	12,925,420	0.5
REA	4	0.8	2	1.0	1	1.6	273,481	0.4	180,823,195	7.4
<u>Assistant Secretary for Food and Consumer Services</u>										
FNS	176	37.4%	93	46.2%	26	40.6%	12,333,245	16.3%	215,139,550	8.7%
<u>Assistant Secretary for Marketing and Inspection Services</u>										
FGIS	1	0.2%	1	0.5%	1	1.6%	0	0.0%	0	0.0%
AMS	9	1.9	4	2.0	2	3.1	472,294	0.6	0	0.0
APHIS	5	1.1	4	2.0	3	4.7	512,802	0.7	18,337,339	0.7
FSIS	13	2.8	6	3.0	2	3.1	2,605,579	3.5	0	0.0
PSA	1	0.2	1	0.5	0	0.0	0	0.0	300,000	0.0
<u>Assistant Secretary for Administration</u>										
OFM	3	0.6%	2	1.0%	0	0.0%	0	0.0%	178	0.0%
OO	3	0.6	3	1.5	0	0.0	0	0.0	1,904,155	0.0
OIRM	3	0.6	2	1.0	3	4.7	0	0.0	0	0.0
<u>Assistant Secretary for Natural Resources and Environment</u>										
FS	26	5.5%	26	12.9%	5	7.8%	325,296	0.4%	30,570,686	1.2%
SCS	14	3.1	4	2.0	1	1.6	1,322,982	1.8	2,420,276	0.0
<u>Assistant Secretary for Science and Education</u>										
ARS	4	0.8%	2	1.0%	0	0.0%	35,510	0.0%	84,316	0.0%
CSRS	4	0.8	1	0.5	0	0.0	1,269,093	1.7	0	0.0
ES	5	1.1	5	2.5	0	0.0	257,799	0.3	0	0.0
<u>USDA Welfare and Recreation Association</u>										
WRA	1	0.2%	0	0.0%	0	0.0%	0	0.0%	51,209	0.0%
TOTAL	<u>471</u>	<u>100%</u>	<u>201</u>	<u>100%</u>	<u>64</u>	<u>100%</u>	<u>\$75,520,625¹</u>	<u>100%</u>	<u>\$2,480,672,090²</u>	<u>100%</u>

¹Disallowed costs include \$173,523 for the period April 1, 1989, through September 30, 1989.

²Funds to be put to better use include \$1,622,526 for the period April 1, 1989, through September 30, 1989.

SIGNIFICANT MANAGEMENT ACCOMPLISHMENTS

SIGNIFICANT MANAGEMENT ACCOMPLISHMENTS

Federal Crop Insurance Corporation

The 6-month period covered by this semiannual report was a time of significant change for the Corporation. In support of Departmental initiatives to improve overall financial management and internal controls, the FCIC implemented organizational and systemic changes to ensure more efficient administration of its private sector delivery of crop insurance protection.

- To address previously identified weaknesses in the financial controls within the reinsurance program, an amendment to the standard reinsurance agreement was issued. This amendment increased the amount of risk assumed by the private sector, improved the Corporation's ability to ensure prompt payment of premium receipts, provided for computer-validation of statistical and financial data before acceptance, and established tighter performance criteria for this \$700 million dollar a year program.
- An automated statistical validation and accounting system was fully implemented, whereby programmed edits ensure accurate data is accepted and financial calculations performed before expense reimbursements are made to private insurance entities. This system substantially reduced vulnerabilities identified in the program by the FCIC and outside audit officials.
- The Corporation initiated self-assessments of its program and administrative processes as part of its adoption of the Department's Consolidated Review Program (CRP). The CRP is designed to integrate the internal/management control processes in the OMB Circulars A-123, "Internal Control Systems;" A-127, "Financial Management Systems;" and A-130, "Management of Federal Information Resources."
- The Information Resources Management (IRM) function was reoriented and its efficiency enhanced through a reorganization. The reorganization distributed application design and programming resources to the line units under the coordination and review of the IRM Review Board and the IRM Division. This supports the Corporation's strategy to provide senior managers with maximum control over their functions and resources.
- The FCIC continued to strengthen its contract administration and program oversight function through the full staffing of its system of compliance field offices.

Food Safety and Inspection Service

Meat and poultry inspection has come a long way since meat inspection first began in 1906. For the last 15 years, FSIS has been modernizing meat and poultry inspection to focus on hazards to the public health, voluntarily undertaking the mission of change and improvement. By 1989, it was clear that FSIS had evolved from simply an inspection agency to a public health agency.

- FSIS committed itself to a simple, logical, but highly specialized, system for food safety control--the Hazard Analysis and Critical Control Point (HACCP) System. HACCP is designed to prevent public health problems and regulatory violations from occurring. It can be applied to the critical food protection issues FSIS faces today and may face in the future. In 1989, FSIS issued a concept paper and will initiate a 2-year study to determine the optimal process for implementing HACCP in meat and poultry inspection operations. FSIS and the Food and Drug Administration (FDA) have applied HACCP concepts in regulating low acid canned foods.
- The Performance Based Inspection System (PBIS) was implemented nationwide in 1989. This system of structured, computerized schedules now guides processing inspectors on what to inspect and when to inspect it. PBIS helps make processing inspection more uniform and provides FSIS with its first easily accessible data bank on plant performance. In 1989, FSIS trained more than 3,665 inspectors, supervisors, and managers in order to implement the system. FSIS also began refining the system, a process that will continue. The PBIS proposal was examined closely in 1989 by the General Accounting Office (GAO) and USDA's OIRM. Overall, the system was found to be adequate. However, FSIS appointed work groups to examine the PBIS system in terms of information management, enforcement, staffing, and the corrective actions taken when a problem is found. FSIS is seeking ways of strengthening the system.
- In 1989, FSIS dedicated the Donald L. Houston Center for Meat and Poultry Sciences. The facility is located on the campus of Texas A&M University in College Station, Texas. The Center contains five classrooms, chemistry, microbiology, and computer laboratories, and will provide specialized training to move FSIS into the 21st century.
- FSIS reviewed 138,000 labels to ensure truth and accuracy and set the stage for a comprehensive look at what meat and poultry labels should have to meet consumer needs. FSIS shares a joint responsibility with FDA to ensure these labels are accurate. As consumer interest in health and nutrition grows, industry wants to make claims about the benefits of its products on product labels. To determine what information the public wants and needs on labels and the appropriate format, FDA and FSIS contracted with the National Academy of Sciences (NAS) for a 12-month, \$500,000 study and held public hearings to determine the best labeling policy and the "ideal" label.
- In its routine, statistical monitoring program to track residue trends, FSIS found that less than 1 percent of the samples show illegal residues and that percentage has steadily declined over the last two decades. The monitoring program also identifies potential problem areas so that more intensive testing may be done to protect consumers. In May 1989, FSIS started surveillance testing at poultry and swine slaughter plants in Arkansas after the banned pesticide heptachlor was found in chickens. Heptachlor is potentially a cancer-causing agent. While there is little immediate danger, there is a long-term risk to humans.

- In April 1989, the Centers for Disease Control confirmed the first case of human listeriosis in the United States associated with a meat or poultry product, turkey franks. The product was immediately recalled. FSIS expanded testing for *Listeria monocytogenes* in ready-to-eat meat and poultry products and strengthened the actions taken when positive samples were found.
- The Canada-United States Free Trade Agreement took effect on January 1, 1989. It is the most comprehensive trade agreement ever concluded between two countries. The Agreement included a very specific section on meat and poultry. However, it did not affect inspection at Canadian slaughter and processing plants since Canada has an inspection system similar to ours.
- FSIS is committed to protecting the public health by continually upgrading inspection techniques and by enforcing Federal meat and poultry laws. Some of the significant enforcement actions taken during 1989 were:
 - o A New Jersey firm was fined a record \$1 million after entering guilty pleas to charges of bribing Federal meat inspectors, "watering down" and mislabeling hams, and falsifying Federal records.
 - o A Pennsylvania meat firm was fined \$75,000 after conviction on three misdemeanor counts of selling putrid and decomposed canned hams that were unfit for human consumption.
 - o A New York meat firm was fined \$50,000 and placed on 3 years probation after conviction of holding and shipping rodent contaminated meat.

Office of Finance and Management

- The Department introduced the concept of management by objectives in response to a Presidential initiative. The Secretary has established three objectives for USDA:
 - 1) To encourage agricultural production and land management policies that are environmentally sound and ensure long-term viability of the nation's natural resource base;
 - 2) To expand U.S. agricultural markets, both foreign and domestic, by: (a) increasing our underlying competitiveness; (b) reducing barriers to American agricultural products abroad; and (c) increasing the market orientation of the agricultural sector worldwide; and
 - 3) To protect the value of Federal credit and cash programs and improve the effectiveness and integrity of programs and services for the public by: (a) aggressive collection of delinquent and defaulted debt and (b) stewardship of public resources.

In order to track the process, USDA developed and implemented an automated Management by Objectives (MBO) tracking system. The system tracks Presidential MBOs assigned to the Department, USDA Agency objectives, and provides reports to OMB.

Tracked as one of the Department's MBOs, OFM's Modern Administrative Processing System (MAPS) will change the administrative process from a paper-driven one to an electronic one. Using proven data base technology, a value added approach to data collection and existing communication capabilities, the MAPS will incorporate the most up-to-date financial management systems techniques available. The MAPS design includes the Governmentwide Standard General Ledger and the standards established by the Joint Financial Management Improvement Program Core Financial Systems Requirements. When completed, the MAPS will meet both the processing and management information needs of government financial and administrative managers.

Office of Personnel and Office of Advocacy and Enterprise

- A Departmental Task Force prepared a report entitled "Framework for Change: Workforce Diversity and Delivery of Programs." Released on May 24, 1990, the Plan represents the Secretary's goal for diversifying USDA's workforce over the next decade.

Office of Information and Resources Management

- USDA has begun preparation of an IRM Strategic Plan. The Plan will establish a Departmental information architecture to integrate information systems and to support the sharing of data across agencies. Systems integration is one of the key objectives of the Department. Release of the Plan is targeted for February 1991.
- In support of systems integration and data sharing, OIRM has established a comprehensive Departmentwide IRM Standards Program based on portable and interoperable applications in an open system environment. The program allows rapid and efficient implementation of Federal Information Processing Standards within the Department. The program mirrors the work of the National Institute of Standards and Technology.

Farmers Home Administration

FmHA has implemented or is in the process of implementing organizational and management changes designed to set a "new course" for the Agency and provide for more effective mission execution including:

- Eight (8) task forces, composed of State Directors and State Directors at Large, have been established. In establishing these task forces, the FmHA Administrator gains the perspective of managers in the field offices. Topics include information and communication, internal controls/assessment, farmer programs,

community facilities and business and industry, human resources, outreach, housing, and finance, contract and procurement. Each task force is served by six State Directors or State Directors at Large. Members are responsible for recommending organizational and management changes to the Administrator.

- Plans are being made to involve all of FmHA's top management officials in strategic planning sessions emphasizing proactive management. Using a contract facilitator, these sessions are designed to develop an action plan for implementing positive change where potential and real problems exist.
- Elements and Standards for Employee Performance Appraisals were rewritten for State Directors, Program Chiefs, Administrative Officers, District Directors, and County Supervisors. The new elements and standards measure the employee's performance to the accomplishments of identified Agency goals and objectives, placing more emphasis on employee accountability. Critical performance elements include implementation and maintenance of FmHA's internal control system, compliance with equal opportunity standards in program areas and employment, improving loan quality, graduation, and increasing the use of guaranteed programs.

OIG AUDITS WITHOUT FINAL ACTION

Management decisions were made on the following audits, but final corrective action was not taken within 1 year. The 33 audits marked with an asterisk were included in the report for the period April 1, 1989, through September 30, 1989. Many of these audits have management decisions which require implementation over a multi-year period. Further, the audit findings which require complex corrective actions may involve incremental steps such as establishing automated systems or issuing program regulations.

Agency	Date Issued	Title of Report	Disallowed ¹ Costs	Funds to be Put ¹ to Better Use
AMS	1/5/88	1. South Florida Lime and Avocado Administrative Committees, Report #01031-43-AT.*	-0-	-0-
	11/12/87	2. Certification Program for Imported Flue-cured and Burley Tobacco, Report #50099-18-AT.*	-0-	-0-
ASCS	5/31/88	3. ASCS' Budget and Appropriated Fund Accounting System (ABAFAS), Report #03091-10-FM.*	-0-	-0-
	12/23/86	4. Identification of Ineligible 1984 Commodity Loans, Report #03099-1-FM.	\$1,488,960	-0-
	3/30/88	5. Redemption of Expired Generic Commodity Certificates, Report #03099-8-FM.*	\$11,362	-0-
	4/23/86	6. Survey Report on Prevailing World Market Prices for Rice, Report #03099-37-HY.	-0-	-0-
	3/31/88	7. ASCS Payment Limitation Provisions, Survey of Share Leases, Report #03099-53-SF.	\$2,133,766	-0-
		Subtotal	<u>\$3,634,088</u>	<u>\$-0-</u>

Agency	Date Issued	Title of Report	Disallowed Costs	Funds to be Put to Better Use
		Previous Subtotal	<u>\$3,634,088</u>	<u>\$-0-</u>
ASCS (Con't)	7/12/88	8. Controls Over Personnel Involved in Outside Employment and Activities, Report #03099-115-KC.*	-0-	-0-
	11/4/88	9. ASCS Administration of Programs in Audrain County, Missouri, Report #03099-119-KC.	\$8,973	\$2,730
	9/30/88	10. Limitation of Conservation Reserve Program Payments to Financial Institutions, Report #03099-124-KC.	\$5,540,301	\$25,082,280
	9/27/88	11. Evaluation of Security and Repayment of Commodity Loans, Report #03640-2-CH.	-0-	\$975,731,031
FmHA	11/21/88	12. FmHA Guaranteed Loan System, Report #04091-6-FM.	-0-	-0-
	4/15/86	13. FmHA Loans to Nicolis Enterprise, Inc., and Concentric Pipe Rentals, Inc., Report #04099-113-TE.*	\$2,515,992	-0-
	7/28/86	14. FmHA Guaranteed Business and Industrial Loan to Sanders Equipment, Inc., Report #04099-115-TE.*	\$5,075,060	-0-
	6/11/87	15. Survey of FmHA Debt Management of Defaults on Guaranteed Loans, Report #04099-118-TE.*	-0-	-0-
	9/30/86	16. Labor Housing Program, Report #04099-198-AT.*	-0-	-0-
		Subtotal	<u>\$16,774,414</u>	<u>\$1,000,816,041</u>

Agency	Date Issued	Title of Report	Disallowed Costs	Funds to be Put to Better Use
		Previous Subtotal	<u>\$16,774,414</u>	<u>\$1,000,816,041</u>
FmHA (Con't)	8/10/88	17. FmHA Farm Programs and Single Family Housing Debt Settlements, Mississippi and Missouri, Report #04099-269-AT.	-0-	-0-
	8/28/87	18. Review of Integrated Database Management System Controls, Report #04530-24-FM.*	-0-	-0-
	8/30/88	19. FmHA Field Office Automation, Report #04530-28-FM.	-0-	-0-
	7/16/85	20. Nationwide Audit of County Office Operations, Report #04642-1-TE.*	-0-	-0-
	9/29/88	21. Farmer Program Guaranteed Loans Need Improvement, Report #04665-2-TE.	-0-	\$483,405,395
	3/4/87	22. Oversight of Program Operations Through the Use of Certified Public Accountants, Report #50659-4-CH.*	-0-	-0-
FS	12/18/87	23. Forest Level Information Processing System ADP Security Policies and Procedures, Report #08099-3-FM.*	-0-	-0-
	12/9/88	24. FS Controls Over Firewood Permit Revenues, Report #08099-8-TE.	-0-	\$2,250,000
	11/21/88	25. FS' Electronic Time and Attendance System's Internal Controls, Report #08099-9-FM.	-0-	-0-
		Subtotal	<u>\$16,774,414</u>	<u>\$1,486,471,436</u>

Agency	Date Issued	Title of Report	Disallowed Costs	Funds to be Put to Better Use
		Previous Subtotal	<u>\$16,774,414</u>	<u>\$1,486,471,436</u>
FS (Con't)	1/24/86	26. Timber Sales Management Timber Appraisals, Report #08627-3-SF.*	-0-	-0-
	2/2/88	27. FS Use and Accountability for Owned/Chartered/ Contracted Aircraft and Aircraft Services, Report #08633-1-AT.*	-0-	-0-
REA	3/31/87	28. Oversight of Program Operations Through the Use of Certified Public Accountants, Report #50659-3-CH.	-0-	\$1,500,000
SCS	6/6/85	29. Contractor Claim for Additional Construction, Sanderson Canyon Watershed Project, Terrell County, Texas, Report #10545-12-TE.*	-0-	\$305,787
FSIS	2/5/87	30. FSIS Exporting Procedures, Report #24097-1-AT.*	-0-	-0-
	4/20/88	31. North Carolina Department of Agriculture, Report #50566-10-AT.*	-0-	-0-
FNS	3/3/88	32. Food Distribution Program Commodity Inventories Accountability, Report #27002-7-NY.*	-0-	-0-
	7/12/88	33. Food Stamp Program Casefile Documentation in Florida, Report #27013-60-AT.	\$65,898	\$5,405,579
	12/11/86	34. Food Coupon Redemption Process, Report #27019-30-HY.*	\$1,910	-0-
		Subtotal	<u>\$16,842,222</u>	<u>\$1,493,682,802</u>

Agency	Date Issued	Title of Report	Disallowed Costs	Funds to be Put to Better Use
		Previous Subtotal	\$16,842,222	\$1,493,682,802
FNS (Con't)	8/26/88	35. Food Services, Department of Education - Guam, Report #27022-41-SF.	\$529,379	-0-
	9/18/88	36. Summer Food Service Program for Children - Village of Haywood City, Report #27028-42-KC.	\$3,214	-0-
	8/25/88	37. Summer Food Service Program, City of Hayti Heights, Report #27028-43-KC.	\$3,156	-0-
	5/19/88	38. CCFP - Child and Family Services, Inc., Report #27029-157-HY.	\$5,190	-0-
	10/1/87	39. 1986 Child Care Food Program - Boys Harbor, Inc., Report #27029-961-NY.*	\$183,174	-0-
	12/12/88	40. 1987 Child Care Food Program - Boys Harbor, Inc., Report #27029-1055-NY.	\$53,170	-0-
	7/31/87	41. Nutrition Assistance Program Block Grant, San Juan, Puerto Rico, Report #27080-3-NY.*	\$298,370	-0-
	12/6/88	42. 1987-88 Child Care Food Program, Webster Parish Community Action Agency, Minden, Louisiana, Report #27099-43-TE.	\$13,625	-0-
		Subtotal	\$17,931,500	\$1,493,682,802

Agency	Date Issued	Title of Report	Disallowed Costs	Funds to be Put to Better Use
		Previous Subtotal	<u>\$17,931,500</u>	<u>\$1,493,682,802</u>
FNS (Con't)	12/7/88	43. Child Care Food Program, River Region Human Development, Inc., Donaldsonville, Louisiana, Report #27099-44-TE.	\$11,828	-0-
	9/22/88	44. Benefits Issued to Terminated and Dual Participants in the WIC Program, Illinois Department of Public Health, Report #27099-78-CH.	\$360,077	-0-
	7/1/88	45. Survey of the Kentucky Food Stamp Program Computer System, Report #27541-31-AT.	-0-	-0-
	10/31/86	46. Food Stamp Program, Quality Control Error Rate Reduction System, Report #27650-2-HY.*	-0-	-0-
	7/31/86	47. Implementation of Food Stamp Wage Matching, Florida Department of Health and Rehabilitative Services, Report #27655-2-AT.*	-0-	-0-
	8/12/87	48. FNS Nationwide Audit of ADP Accounts Receivable System for FSP Claims, Report #27657-1-AT.*	-0-	-0-
	6/29/88	49. Vendor Monitoring Operations, Louisiana Department of Health and Human Resources, Report #27661-1-TE.	-0-	-0-
		Subtotal	<u>\$18,303,405</u>	<u>\$1,493,682,802</u>

Agency	Date Issued	Title of Report	Disallowed Costs	Funds to be Put to Better Use
		Previous Subtotal	<u>\$18,303,405</u>	<u>\$1,493,682,802</u>
FNS (Con't)	6/15/88	50. Special Supplemental Food Program for Women, Infants and Children - Vendor Monitoring and Food Instrument Delivery Systems, Report #27661-2-CH.*	-0-	-0-
	4/29/88	51. Special Supplemental Food Program for Women, Infants, and Children as Administered by the Illinois Department of Public Health, Report #27661-4-CH.*	\$453,778	-0-
	7/19/88	52. Food Stamp Program Case File Documentation, Report #27662-2-AT.	-0-	\$170,091,044
	8/29/86	53. Arizona Department of Economic Security, Report #50561-182-SF.*	-0-	-0-
	7/28/88	54. Washington Department of Social and Health Services, Report #50568-179-SF.	\$47,439	\$652,387
	10/28/88	55. Nebraska Department of Health, Report #50568-185-KC.	-0-	-0-
	1/25/89	56. Alaska Department of Education, Report #50568-260-SF.	-0-	-0-
	1/31/89	57. American Samoa Government, Report #50568-263-SF.	-0-	-0-
FGIS	8/30/88	58. FGIS Grain Inspection Processes and Procedures, Report #37008-2-HY.*	-0-	-0-
		Subtotal	<u>\$18,804,622</u>	<u>\$1,664,426,233</u>

Agency	Date Issued	Title of Report	Disallowed Costs	Funds to be Put to Better Use
		Previous Subtotal	<u>\$18,804,622</u>	<u>\$1,664,426,233</u>
APHIS	11/9/87	59. South Dakota Department of Agriculture, Report #50566-8-KC.*	\$15,583	-0-
	7/28/88	60. Missouri Department of Agriculture, Report #50566-9-KC.	-0-	\$91,540
	10/8/87	61. Kansas Animal Health Department, Report #50567-5-KC.*	\$5,016	\$11,046
OIRM	9/30/88	62. PCIE Computer Systems Integrity Project, Report #58099-10-FM.	-0-	-0-
	4/1/87	63. Procurement and Technical Approval of ADP Equipment and Software in USDA, Report #50550-9-HY.*	-0-	-0-
	3/23/87	64. OIRM Automated Data Processing Maintenance Agreement Within the Department of Agriculture, Report #50555-1-HY.*	-0-	-0-
		Total	<u>\$18,825,221</u>	<u>\$1,664,528,819</u>

¹Disallowed Costs and Funds to be Put To Better Use are derived from the OIG automated CAPTAIN system.

1. **South Florida Lime and Avocado Administrative Committees, issued January 5, 1988.***

The audit recommended that AMS evaluate methods used by the Committees to project crop production; prepare Committee reports; require reporting to the Internal Revenue Service (IRS) of individual assessment rebates totaling \$600 or more; and require Committees to obtain annual financial statements reflecting changes in fund balances and sources of funds rebated to handlers.

The recommendation to require the Committees to report refunds to handlers in excess of \$600 was referred to IRS by OGC in November 1987. OGC has made formal requests for an IRS opinion. However, IRS has not responded.

2. **Certification Program for Imported Flue-cured and Burley Tobacco, issued November 12, 1987.***

The audit recommended that AMS notify importers, whose tobacco included prohibited pesticide residue levels, of actions required to dispose of the tobacco and ensure that it did not reenter commerce; coordinate with other USDA and Federal agencies; evaluate the pesticides presently being tested and the established pesticide residue standards; obtain information on chemicals used on tobacco in foreign countries; revise the list of pesticides to be tested and base residue tolerance standards on documented supportable evidence; require APHIS to consider and record pesticide levels for chemicals of the same class, both individually and in combination; ensure pesticide levels are calculated and recorded for all pesticides tested; and perform an indepth review of the user fees and charges imposed to ensure that they are sufficient to recover all costs involved. The audit recommendations required Agency rulemaking. Proposed rules were referred to OMB in 1988, but met resistance when the Environmental Protection Agency (EPA) would not consent to the proposals. Thus, AMS withdrew the original proposals and resubmitted amended rules to eliminate the need for EPA's concurrence. The final rules were published on July 1, 1989. While AMS considers that final action was taken on this audit with the publication of the rules, it has delayed closing the audit until management completes an internal review of the program's implementation.

3. **ASCS Budget and Appropriated Fund Accounting System (ABAFAS), issued May 31, 1988.***

ASCS agreed to revise handbooks applicable to the implementation of ABAFAS. Inadequate personnel resources and higher priority workload requirements, precluded completion of these handbooks within 1 year. ASCS anticipates completion by August 1990.

4. Identification of Ineligible 1984 Commodity Loans, issued December 23, 1986.

The audit recommended that the software for administering the Commodity Loan Program of the State and County Office Automation System contain edit checks and/or other controls to verify whether producers and/or commodities are eligible or ineligible for loans in the future. Due to ASCS' workload demands for ongoing program changes and requirements for software development, implementation of the Data Base Analysis System has exceeded 1 year. The necessary enhancements to develop the report are scheduled on the ASCS master automated price support system project plan. ASCS anticipates having the report capability available in June for the 1990 crop year loan making.

5. Redemption of Expired Generic Commodity Certificates, issued March 30, 1988.*

It was recommended that the State and County Office Automation Project (SCOAP) software be revised to compute the expiration date for Commodity Certificates and to include the expiration date on the County Office SCOAP certificate history file. ASCS also agreed to recover improperly redeemed certificates. Implementation of the SCOAP software is scheduled for June 1990. The complexity of the changes required, the systems affected, and the detailed research and related collection action to resolve the certificates delayed final action.

6. Survey Report on Prevailing World Market Prices for Rice, issued April 23, 1986.

The audit recommended that ASCS employees who develop world market prices for rice be required to file financial disclosure statements. In conjunction with OGC, ASCS developed a form which did not require financial disclosures, as recommended in the audit. Following further discussions with the OIG, ASCS has now completed action on the recommendation. All employees developing world market prices for rice are included in the filing requirements.

7. ASCS Payment Limitation Provisions, Survey of Share Leases, issued March 31, 1988.

The audit recommended that ASCS initiate a review of the program payments made directly by ASCS to certain companies and indirectly to the companies through their leases; initiate collection action for payments in excess of the payment limitation; review data related to the largest landowners to determine if they used schemes and devices to circumvent both program regulations and contractual requirements; and establish additional controls to ensure that ASCS offices establish control counties for producers operating in more than one county. ASCS directed corrective actions to be taken on the recommendations in this audit. The audit identifies more than 25 large landowners with holdings in 29 States.

The detailed research required to address each issue is extremely time consuming and labor intensive. ASCS is currently working with its State Offices to complete the actions. Final actions are scheduled to be completed in Fiscal Year (FY) 1990.

8. **Controls Over Personnel Involved in Outside Employment and Activities, issued July 12, 1988.***

ASCS agreed to revise procedures to require County Executive Directors to report outside employment and financial interests to the State Executive Director for review. Final preparation of the appropriate procedure is incomplete. ASCS did develop a draft procedure last year. GAO suggested changes during a review of USDA conflict of interest reporting procedures. Those changes are being incorporated into ASCS' procedures, which will be issued in late spring.

9. **ASCS Administration of Programs in Audrain County, Missouri, issued November 4, 1988.**

ASCS agreed to perform internal reviews of all major programs in the Audrain, Missouri, County Office (CO) and spot checks on each CO employee's work. Where internal reviews or spot checks indicate program or administration deficiencies, ASCS agreed to provide additional training and program development. Although it took over 1 year to process the reviews, these actions are now complete.

10. **Limitation of Conservation Reserve Program Payments to Financial Institutions, issued September 30, 1988.**

The audit recommended that ASCS determine in coordination with OGC whether the lender's cited Financial Plan is a scheme or device to circumvent the payment limitation. Due to the complexities of the audit, multi-State involvement, and the requirement to have the ASCS' position cleared by OGC, more time has been required than anticipated to take the necessary corrective actions.

11. **Evaluation of Security and Repayment of Commodity Loans, issued September 27, 1988.**

The audit recommended that ASCS develop and implement procedures to debar or suspend program participants that meet the specified causes in USDA's Nonprocurement Debarment and Suspension Regulation from participating in covered ASCS programs; ensure internal controls are in place for periodic monitoring of inventory balances, unused and redeemed certificates; and ensure that an adequate separation of duties is maintained over the signing and handling of commodity certificates. ASCS provided a response to this audit to OIG on June 15, 1989. OIG issued a status report to ASCS on September 29, 1989, stating that it is reviewing the issue as to whether or not the Nonprocurement Debarment and Suspension Regulation

applies to ASCS Commodity Loans. The additional time required by OIG has delayed final action on the audit.

12. FmHA Guaranteed Loan System, issued November 21, 1988.

The audit recommended that an analysis be conducted to determine the most cost-beneficial approach for improving and updating the Guaranteed Loan System. Final FmHA action on the management decision for this recommendation is in progress. FmHA has prepared a fully documented proposal to change the Guaranteed Loan System into the Program Loan Accounting System, Integrated Data Base Management System data base. This requires the complete design of a new accounting and reporting system and is being reviewed along with FmHA initiatives for a subsidized guaranteed program for housing and farmer programs. A statement of work to contract for the building of a guaranteed loan program enterprise model is being prepared. The model will determine the data requirements and the method for design and development of a guaranteed loan system using a data base management system with online access. This design approach is a long-term process involving the use of a contractor and FmHA resources, consistent with the priorities assigned to other Agency initiatives for automation and system development projects. FmHA anticipates that the contract for the enterprise model will be awarded by June 1990 and the model will be completed by March 1991.

13. FmHA Loans to Nicolosi Enterprise, Inc., and Concentric Pipe Rentals, Inc., issued April 15, 1986.*

The audit recommended that findings of noncompliance with the terms of the Conditional Commitment of Guarantee, the Loan Note Guarantee and the Lender's Agreement be referred to OGC to determine whether FmHA has recourse for cited violations against either the lender or its receiver and liquidator, the Federal Deposit Insurance Corporation (FDIC). Final action awaits FDIC's decision on FmHA's Proof of Claim. OGC must concur in the FDIC decision and FmHA must approve the lender's Loan Note Guarantee Report of Loss.

14. FmHA Guaranteed Business and Industrial Loan to Sanders Equipment, Inc., issued July 28, 1986.*

The audit recommended that findings of noncompliance with the terms of the Conditional Commitment of Guarantee, the Loan Note Guarantee and the Lender's Agreement be referred to OGC to determine whether FmHA has recourse for cited violations. Final action remains incomplete pending resolution of the Proof of Claim filed with the FDIC on October 24, 1988.

15. Survey of FmHA Debt Management of Defaults on Guaranteed Loans, issued June 11, 1987.*

FmHA agreed to issue procedures for monitoring the recovery and collection actions of lenders, subsequent to payment of claims. The proposed procedures are currently being revised to accommodate the paperwork burden reduction requirements.

16. Labor Housing Program, issued September 30, 1986.*

The audit recommended that FmHA emphasize that: when loan agreements are waived, no rental income is to be received from tenants in single-family-type labor housing; borrowers be required to account to FmHA on rental income; borrowers who collect rent, execute loan agreements and establish the necessary accounts for loan servicing; and that borrowers be advised that violations could result in loan foreclosure. FmHA agreed to incorporate needed provisions into Instruction 1944-D, "Farm Labor Housing." The proposed draft rule is in clearance. However, some of the issues involve policies necessitating the need for public comment. FmHA anticipates publishing the proposed rule for comment in May 1990 and publishing a final rule by the fall of 1990.

17. FmHA Farm Programs and Single Family Housing Debt Settlements, Mississippi and Missouri, issued August 10, 1988.

The audit recommended that the Finance Office systems be reprogrammed to produce periodic management reports on debt settlements involving writeoffs and recoveries. The capability to capture the class of writeoff codes for reporting the number and amount of applications approved for debt settlement was implemented on September 28, 1988. The reporting of the number and amount of debt writeoffs by class of writeoff and the account settlements is not fully implemented. The initial testing of the system did not include all writeoff data from the beginning of the fiscal year due to problems with updating the writeoff codes. This prevented testing the accuracy of the report. The required acceptance testing will consider the writeoff data updated since October 1, 1989, and will be completed prior to preparation of the report. FmHA anticipates distributing the report in late spring 1990.

Automation of debt settlement processing for Farmer Program loans will provide the capability to establish farm program receivables for less than the full amounts of debt without interest rates and accruals. Receivables for single family housing will continue to be established by manual procedures due to the low volume of debt settlements for this program. Automation of Farmer Program loans is pending assignment of staff resources for development and is anticipated by September 30, 1990.

Revisions to the Coordinated Assessment Review (CAR) guide have been implemented. It is expected that revised regulations will be published in the Federal Register in the near future.

18. **Review of Integrated Database Management System Controls, issued August 28, 1987.***

The audit recommended discontinuing the assignment of group identifications and passwords; establishing separate identifications for individuals sharing group identifications; restricting access to Job Control Language (JCL); determining if passwords are embedded in other JCL libraries; and informing users not to share identifications or embedded passwords in their JCL libraries.

Requests for alterations (RFAs) to place JCL containing the production identification and password for batch processing in separate libraries are incomplete. The software to place JCL containing the productions identification and password for batch processing in separate libraries required implementation of five maintenance RFAs. Subsequently, it was determined that the Rural Community Facility Tracking System (RCFTS) was to be modified for additional JCL access after the initial software requirements were identified. This additional software modification was implemented on September 28, 1989, and the data set containing the production identification and password was deleted on October 16, 1989. All the RFAs were implemented under FmHA's maintenance procedures for systems development.

19. **FmHA Field Office Automation, issued August 30, 1988.**

FmHA agreed to reevaluate the Automated Field Management System (AFMS) project to develop a detailed strategy for completing and testing software applications for the field; continue to involve AFMS users in the development of the strategy; and ensure the strategy is strictly followed and adequate resources are made available to ensure projected timeframes are met. The FmHA Instruction 2006-V, "Software Design, Development, Certification, Clearance and Release of FmHA Automated Systems," was published on March 14, 1990. The delay in publishing this Instruction was due to significant changes in FmHA's organization and automation program.

20. **Nationwide Audit of County Office Operations, issued July 16, 1985.***

The audit recommended that FmHA strengthen internal controls; develop and implement a method for determining refund checks; and improve controls over interest credit recapture operations. FmHA has not fully implemented recommendations relating to recapture of subsidy, but has adopted a different approach that will make revision of the formula to elevate the priority of Principal Reduction Attributed to Subsidy (PRAS) unnecessary. In January 1990, FmHA implemented a new methodology for granting subsidy that totally eliminates any accelerated principal paydown on loans, assumptions, and credit sales closed after December 31, 1989. FmHA plans to make a one-time adjustment to accounts originated prior to January 1, 1990, and add PRAS into the principal balance thereby permanently eliminating PRAS. Revision to Instruction 1951-I, "Recapture of Section 502 Rural Housing Subsidy" is in progress. The revision was delayed due to the priority of handling the substitution and transfer of servicing to the trust of Single Family loans involved in the 1987 asset sales. The

anticipated date for publishing the Instruction for public comment is June 1990, with implementation planned in April 1991.

21. Farmer Program Guaranteed Loans Need Improvement, issued September 29, 1988.

FmHA agreed to establish controls to monitor the conversion of direct loan borrowers to the guaranteed loan program; to obtain statements for several lenders that the borrower's financial information for the guaranteed loan had been reviewed; to implement policies and procedures to collect debts incurred when borrowers default loans; and to computerize controls to detect and prevent borrowers who default on loans from obtaining subsequent FmHA loans, without repayment of the defaulted loans. FmHA awarded a contract to Price Waterhouse to study the issues. Development and publication of revised regulations based on the contractor's findings cannot take place until the results are known. Scheduled publication is January 1991.

22. Oversight of Program Operations Through the Use of Certified Public Accountants, issued March 4, 1987.*

The audit recommended that FmHA instructions be revised to require that audits of FmHA borrower operations be performed in accordance with Generally Accepted Government Auditing Standards (GAGAS); revise the FmHA audit guide to conform to the requirements of OMB Circular A-128; and follow up or resolve non-Federal audits to ensure compliance with applicable audit standards and subsequent corrective action. The FmHA audit guide is updated. OIG is reviewing the remaining recommendations and may amend or rescind them. Final actions are delayed pending OIG's decision.

23. Forest Level Information Processing Systems ADP Security Policies and Procedures, issued December 18, 1987.*

The audit recommended that FS develop an automated tool needed to obtain information on computer software installation. Development of this software tool was more difficult than anticipated. Completion is scheduled for late spring 1990.

24. FS Controls Over Firewood Permit Revenues, issued December 9, 1988.

The audit recommended that FS review its free use firewood policy and establish a minimum fee of \$5 per cord for personal use firewood. To implement these recommendations, FS analyzed impacts, built support for the change, and issued a policy change in the FS Manual. This action is now complete.

25. FS' Electronic Time and Attendance (ETA) System's Internal Controls, issued November 21, 1988.

The audit recommended that FS meet staffing levels recommended in the agency's ETA report; develop procedures to verify that FS field units are using the most current version of the ETA system; develop a formal process for making and testing changes to the ETA system; develop procedures to ensure that ETA data in the transmission file is protected from unauthorized changes; develop FS policy directives to ensure supervisors certify information provided to the Departmental payroll system; develop control objectives for the ETA system that meet GAO standards; document the internal control system for the ETA process; establish documentation standards for the ETA system for user and program documentation standards that will meet Departmental standards; and incorporate user documentation in the FS directive system. FS has developed an audit action plan to meet these recommendations by October 1991.

26. Timber Sales Management - Timber Appraisals, issued January 24, 1986.*

FS agreed to establish national standards for timber appraisals that would result in advertised values that are within a range of 75 to 85 percent of actual bid values; establish controls to ensure that appraisals are maintained within the standard specified; and direct its Northern Region to reduce the statistical adjustment factor of the transaction evidence appraisal system to ensure that the timber advertised values remain in a range of 75 to 85 percent of the current bid values. Final action is not complete because FS has not been able to provide evidence that: (1) its Northern Region has adopted a statistical adjustment factor that will result in advertised timber bid rates being within the 75 to 85 percent appraisal standard; and (2) its California and Northwestern Regions have adopted standards that will result in advertised rates that are reasonable estimates of fair market value. FS and OIG agreed that some standards are needed but have not agreed on the standards and the method to compute adherence to the standard. To find a meaningful measure of overbids that will be valid in varying economic climates is a continuing effort by both FS and OIG.

27. FS Use and Accountability for Owned/Chartered/Contracted Aircraft and Aircraft Services, Fiscal Years 1982 through 1985, issued February 2, 1988.*

FS agreed to review internal controls of aircraft activities; ensure compliance with applicable laws, regulations and policies related to aircraft operations; modify the reporting system to ascertain the need and cost effectiveness of FS-owned aircraft; and evaluate the use of FS aviation personnel. To complete these actions, OIG recommended that FS establish a Task Force to review the present Aircraft Use Reporting System; conduct a national aviation Working Capital Fund review; and review and modify Handbook directions. The actions needed to implement these recommendations take longer than 1 year to complete. FS is doing A-76 studies and a contractor is making changes to a computer system. In addition, changes are being made to the FS Handbook.

28. Oversight of Program Operations Through the Use of Certified Public Accountants, issued March 31, 1987.

The audit recommended that REA require that audits of its borrowers be performed in accordance with GAGAS. The policies are revised and the proposed regulation is undergoing legal and policy review before publication in the Federal Register.

29. Contractor Claim for Additional Construction, Sanderson Canyon Watershed Project, Terrell County, Texas, issued June 6, 1985.*

This audit questioned \$305,787 of a contractor's claim for \$512,280. The claim arose as a result of an alleged differing site condition by the contractor which required excavation beyond that required by the basic contract. Settlement negotiations with the contractor and SCS have been initiated. However, SCS has not taken final action due to a lack of personnel available to address the issue. It is anticipated that a decision on the final settlement amount with the contractor will be reached by June 30, 1990.

30. FSIS Exporting Procedures, issued February 5, 1987.*

The audit recommended that FSIS issue regulations governing the Acceptable Quality Level Program for all classes of poultry that are expected to remain subject to the provisions of the Meat and Poultry Inspection Directive 918.1, "Poultry Carcass Inspection Program." The impact of the NAS report titled, "Poultry Inspection, The Basis for a Risk Assessment Approach" and the public's concern on salmonella contamination caused FSIS to shift its priorities. This delayed publication of the proposed rule. Further, the rule is being held in abeyance pending peer review by NAS on the agency's Streamlined Inspection System for Cattle which incorporates design concepts and procedures similar to those planned for the Poultry Carcass Inspection Program. The expected completion date of the Academy's study is July 1990.

31. North Carolina Department of Agriculture, issued April 20, 1988.*

The audit recommended that FSIS require the North Carolina Department of Agriculture (NCDA) to review its current billing procedures and implement corrective action to ensure that costs billed to the Federal Government are actual costs and are properly supported. OIG also recommended that NCDA resolve any potential overcharges. NCDA subsequently requested clarification regarding the allowability for cost reimbursement related to Talmadge-Aiken overtime services. FSIS provided clarification to NCDA and NCDA is recalculating the overtime amounts and preparing revised Federal financial reports.

32. Food Distribution Program Commodity Inventories Accountability, issued March 3, 1988.*

The audit recommended that FNS implement procedures for the monthly reconciliation of the FNS-155 on the receipt and distribution of USDA donated commodities with FNS' data on shipments to State Distributing Agencies (DA). The audit, also, recommended that FNS develop and implement computer programs needed to perform the reconciliation and procedures requiring State DAs to include commodity shipment delivery order numbers on their FNS-155 reports.

The revised FNS-155 and the FNS-155A are in OMB for clearance. State DAs will use these revised forms beginning in October 1990.

With respect to implementing the computer software needed to perform the FNS-155 reconciliation, FNS contracted for inclusion of the reconciliation process in the Special Nutrition Program Integrated Information System. The System's acceptance and processing of FNS-155 data was tested at two FNS Regional Offices in March 1990. Current schedules call for training of the remaining Regional Offices in the summer of 1990, with full implementation scheduled for October 1, 1990.

33. Food Stamp Program (FSP) Casefile Documentation in Florida, issued July 12, 1988.

The audit recommended that FNS require State Agencies (SA) to make periodic reconciliations of the master FSP issuance file against casefile documentation on a sample basis; monitor followup actions by local Food Stamp offices to assure documentation is located for those casefiles identified as deficient; and establish claims and make appropriate fraud referrals for the specific cases identified in the audit. In addition, the audit recommended that FNS encourage SAs to establish strong supervisory controls over documentation; and clarify the verification needed for households' utility expense deductions.

To ensure the adequacy of casefile documentation, FNS included it as a national priority target area in its management evaluation program for FY 1989 and 1990, and will do so again for FY 1991. In addition, FNS proposed language for inclusion in the OMB Compliance Supplement for Single Audits of State and Local Governments that will focus continued attention on casefile documentation. All but one of the specific cases reported in the audit have been settled. FNS has promoted strong supervisory controls over documentation through error reduction conferences and the release of the 1988 Catalog of Program Improvement Activities. Guidance clarifying the verification needed for utility expense deductions will soon be issued to FNS' Regional Offices. Policy on management evaluation priority target areas will be accomplished by early summer 1990.

34. Food Coupon Redemption Process, issued December 11, 1986.*

Final action has been completed for all administrative findings in this audit. The remaining recommendation is a questioned cost for food coupon processing at the Philadelphia Federal Reserve Bank. FNS issued a billing to the Philadelphia Federal Reserve Bank on April 15, 1987. The Federal Reserve disputed the validity of the finding and the claim. Subsequently, FNS provided the OIG's audit workpapers pertaining to this finding to the Federal Reserve for validation. The Federal Reserve has advised FNS that it was impossible to substantiate the finding and questioned cost from the OIG workpapers. Upon receipt of the results of the Federal Reserve's review of the audit workpapers, FNS will take action for the proper disposition of this questioned cost.

35. Food Service, Department of Education - Guam, issued August 26, 1988.

The audit recommended that FNS recover funds for overstated counts of meals served free or at reduced price under the National School Lunch and School Breakfast Programs (NSLP and SBP) during the 1986 and 1987 school years and part of the 1988 school year. In addition, the audit recommended that the SA compute and remit to FNS the excess NSLP and SBP reimbursement payments received for the following classes of meals for the 3-year period the auditors had not examined: (1) free and reduced price meals served to ineligible persons; (2) breakfasts served under the SBP's "severe need" component in schools not eligible to be classified as being in severe need; and (3) meals served to ineligible persons in Head Start Program operations.

The SA failed to conduct the reviews needed to make the required calculations within a reasonable period of time. To obtain action, FNS withheld payments due the SA for FYs 1989 and 1990 for administrative costs and meal reimbursement under the Child Nutrition Programs. FNS did provide a limited amount of FY 1989 funds for the SA to engage a Certified Public Accountant (CPA) firm to complete the required work and to reimburse local program operators, not affiliated with the SA. After persistent prompting by FNS, the SA submitted the CPA's report in March 1990. FNS is currently reviewing the report to determine whether it is sufficient to support final action.

36. Summer Food Service Program for Children - Village of Haywood City, issued September 18, 1988.

Final action is incomplete because disallowed costs are being collected through a repayment schedule.

37. Summer Food Service Program - City of Hayti Heights, issued August 25, 1988.

Final action is incomplete because disallowed costs are being collected through a repayment schedule.

38. Child Care Food Program - City and Family Services, Inc., issued May 19, 1988.

Final action is incomplete because disallowed costs are being collected through a repayment schedule.

39. 1986 Child Care Food Program (CCFP) - Boys Harbor, Inc., issued October 1, 1987.*

The audit recommended that FNS collect funds paid in excess of program regulations. OGC informed FNS that it would be difficult to obtain a recovery due to unclear regulations. FNS agreed to revise 7 CFR Part 226.16(h) to clarify the acceptable method for obtaining reimbursement for meals served by a sponsor. FNS' involvement in regulatory and policy activities for the adult day care component of the CCFP and clarification of authority to assess overclaims based on inadequate recordkeeping delayed final action. FNS expects publication of proposed rules in spring 1990, with final rules by September 1990.

40. 1987 Child Care Food Program (CCFP) - Boys Harbor, Inc., issued December 12, 1988.

The audit recommended that FNS collect funds paid in excess of program regulations. OGC informed FNS that it would be difficult to obtain a recovery due to unclear regulations. FNS agreed to revise 7 CFR Part 226.16(h) to clarify the acceptable method for obtaining reimbursement for meals served by a sponsor. FNS' involvement in regulatory and policy activities for the adult day care component of the CCFP and clarification of authority to assess overclaims based on inadequate recordkeeping delayed final action. FNS expects publication of proposed rules in spring 1990, with final rules by September 1990.

41. Nutrition Assistance Program Block Grant, San Juan, Puerto Rico, issued July 31, 1987.*

The audit recommended that FNS require the SA to coordinate with other Federal Agencies served by the offices performing integrated services to obtain a proper allocation of administrative funds and require submission of revised financial reports from the SA.

The Department of Health and Human Services (DHHS) is the cognizant Federal Agency for the allocation of costs for the Puerto Rico Nutrition Assistance Program. FNS referred the cost allocation matter to the DHHS and the SA provided a revised Cost Allocation Plan (CAP) to the DHHS for approval. The SA is negotiating with the DHHS for approval of its CAP. Action cannot be completed until DHHS approves the CAP and the SA submits revised financial reports. Final action on all other recommendations has occurred.

42. 1987-88 Child Care Food Program (CCFP), Webster Parish Community Action Agency, Minden, Louisiana, issued December 6, 1988.

The audit recommended that FNS instruct the Louisiana Department of Education to limit advances of administrative funds to CCFP sponsoring organizations to levels that do not exceed actual costs; recover \$4,447 in disallowed FY 1987 administrative costs and an additional \$10,817 (\$6,609 for FY 1987 and \$4,208 for FY 1988) if these funds cannot be supported as proper charges to the CCFP; and review and approve a CAP to support salaries charged to the CCFP in FY 1988 and thereafter.

The auditee promptly appealed the \$4,447. FNS sustained the claim and the SA proceeded to seek collection. The SA made an administrative review of the auditee and, based on the findings, set the total claim for excess reimbursement paid the auditee in FY 1987 at \$5,626 (including the \$4,447 already disallowed). This amount was collected. With respect to recovering FY 1988 excess reimbursements, the SA proposed to FNS that it establish a claim based on the entire fiscal year rather than seeking recovery of the first quarter amount presented in the audit report. The SA expressed its intent to schedule an independent audit to develop such a claim. Out of concern that independent auditors would be less conversant than State auditors with CCFP operations, FNS requested a SA financial audit. The State audit has been made and FNS is awaiting the audit report. Collection of the resulting claim for FY 1988 excess reimbursement will achieve final action.

43. Child Care Food Program (CCFP), River Region Human Development, Inc., Donaldsonville, Louisiana, issued December 7, 1988.

The audit recommended that FNS instruct the Louisiana Department of Education to recover \$2,692 in disallowed CCFP benefit costs and duplicate claims; require the auditee to develop a CAP or otherwise document justification for charging \$19,483 in administrative costs to the CCFP; and recover any payments made to the auditee for administrative costs that cannot be substantiated under an acceptable CAP.

FNS established a receivable for \$2,875. This figure is the sum of the \$2,692 disallowed and \$183 out of the questioned \$19,483, which the SA determined ineligible without further research. The auditee appealed the claims determination. FNS sustained the claim on May 31, 1989, and notified the SA to proceed with collection. State auditors examined the auditee's records to determine the propriety of the balance of questioned costs. Their findings generated additional disallowances that raised the claim amount to \$7,697. The auditee has agreed to a repayment schedule whereby the SA withholds \$430 from each monthly reimbursement payment. Under this arrangement, collection will be complete in February 1991.

44. Benefits Issued to Terminated and Dual Participants in the WIC Program, Illinois' Department of Public Health, issued September 22, 1988.

The audit recommended that FNS establish claims against the SA for WIC Program benefits either improperly received by persons whose program participation had been terminated or duplicate benefits received by the same persons under the Commodity Supplemental Food Program. The audit also recommended that FNS require the SA to develop and implement procedures to ensure that a local agency follows up on identified instances of dual participation.

Since Illinois provides State appropriated funds to supplement the Federal WIC grant, questions were raised regarding whether or not the SA should receive credit for its contribution to the related program losses. FNS referred this matter to OGC in October 1988. On July 17, 1989, OGC issued its opinion. OGC concluded that if Federal and State funds are commingled in the same account and cannot be separately linked to specific transactions, the Federal and State shares of any program losses must be identified by proration. Accordingly, OIG accepted the revised management decision in February 1990 to limit the recommended claim amounts to FNS' share of the related program losses (92 percent). OIG also recognized the appropriateness of benefits issued to dual participants who had been otherwise eligible. Only the duplicate portion was recommended for collection. In February 1990, the SA agreed to repay the adjusted claim by offset against its Letter of Credit.

45. Survey of the Kentucky Food Stamp Program (FSP) Computer System, issued July 1, 1988.

The audit recommended that FNS require the SA to take the following actions with respect to the Kentucky Automated Certification and Issuance System (KACIS) which controls transactions relating to Kentucky's FSP caseload: submit the State FSP application form for review by FNS and revise it if FNS determines it does not meet all FSP regulatory requirements, develop documentation to support the KACIS (software documentation, written operating procedures, user's manual, etc.), and modify the KACIS to match all applications for recertification against the contact file in order to minimize the risk that fraudulently entered fictitious cases will be recertified.

The State application form was reviewed and approved by FNS. With respect to documentation, FNS made a post-installation review of the KACIS and determined that additional clarifications were needed. FNS and the SA continue to disagree on the need for an automated procedure to match recertification applications against the contact file. The SA contends that such a procedure is unnecessary because other controls within the system provide reasonable assurance that fictitious cases will be detected prior to recertification. Final action on this audit will occur when FNS determines that these issues have been satisfactorily addressed.

46. Food Stamp Program, Quality Control Error Rate Reduction System, issued October 31, 1986.*

The audit recommended that FNS require SA Quality Control reviewers to attempt to complete all refusal-to-cooperate cases through the use of collateral contacts. FNS agreed to revise its regulations to implement this recommendation. In February 1986, FNS drafted proposed rules and, during the clearance process, became aware that any change in policy had greater statistical implications than FNS had considered. Therefore, the rules were suspended until the issue could be resolved. In November 1987, the rules continued to be delayed due to FNS' expectations that the NAS study of quality control on Aid to Families with Dependent Children and Medicaid and a FNS-contracted study would address the statistical issues related to refusal-to-cooperate cases. The NAS study did not address the issue as anticipated.

The FNS contracted study, which examines statistical issues related to refusal-to-cooperate-cases, was released and distributed to the public in the First Quarter of FY 1990. FNS will publish rules in early 1991.

47. Implementation of Food Stamp Wage Matching, Florida Department of Health and Rehabilitative Services, issued July 31, 1986.*

The audit recommended that FNS require the SA to comply with wage matching requirements contained in the Food Stamp Program Regulations in effect at the time the audit was made. However, subsequent legislation required the implementation of an expanded Income and Eligibility Verification System (IEVS). The IEVS requirements superseded the wage matching requirements, as audited, and proper implementation of the IEVS regulations would have corrected the conditions instigating this recommendation. Therefore, FNS instructed the SA to commit its resources to implementing IEVS. The OIG concurred with this action. Since then, FNS has repeatedly used suspension of funding to obtain SA compliance. Florida is generally in compliance but continues to experience problems with the operation of IEVS. In particular, FNS remains dissatisfied with the SA's performance in following up on cases flagged for further review by the SA's automated system. Final action will occur when FNS determines that it is warranted by the degree of compliance the SA has achieved.

48. FNS Nationwide Audit of Automated Data Processing (ADP) Accounts Receivable System for Food Stamp Program Claims, issued August 12, 1987.*

The audit recommended that FNS intensify efforts to enforce States' compliance with regulations pertaining to claims accounting and reporting functions; increase emphasis on claims operations during management evaluation reviews; provide specific review steps related to the claims function; ensure States comply with FNS regulations applicable to claims; amend regulations or otherwise require States to establish interstate claims collection capabilities in their ADP claims systems; establish guidelines for universally compatible hardware and software systems; establish policy and provide guidance to States to develop uniform written

procedures for implementing and enforcing effective claims collection action; establish policy to identify claims against nonparticipating households that have made no payments in over 3 years, terminate such claims, and purge all zero balance claims; establish uniform guidelines for States to reconcile FNS-209 data; specify required intervals for reconciliation; and specify reasonable timeframes for entering claims data into the systems.

FNS quickly improved as many areas as possible through the Management Evaluation process and used that experience to identify where additional guidance was needed. In addition to improving classification and establishment of claims, the focus on claims through the Management Evaluations in FYs 1988 and 1989 gave the needed information to FNS on State-specific problems and circumstances to develop the most effective additional guidance. The time needed for the sequential steps leading to the last required action delayed completion of the recommendations. FNS expects to issue comprehensive guidance on claims in the spring of 1990.

49. Vendor Monitoring Operations, Louisiana Department of Health and Human Resources, issued June 29, 1988.

The audit recommended that FNS require the SA to impose sanctions against those vendors overcharging WIC participants; consider risk indicators and dollar value of redemptions when selecting vendors for compliance monitoring visits; increase compliance visits and include compliance buys to detect inflated redemptions; followup on and resolve redemptions of WIC Food Instruments (FIs) by invalid vendors and vendors without identification numbers and recover any improper payments; notify disqualified vendors of an ending date beyond which FIs will not be accepted for redemption; and develop procedures to provide reasonable assurance that redeemed FIs are reconciled to issuance records, and that information on FIs redeemed and unmatched against issuance records is captured and maintained.

The SA pursued actions against vendors reported in the audit as having overcharged. Some actions were delayed due to the legal proceedings involved in this audit. One vendor obtained an extension to a scheduled hearing. Consequently, the SA did not receive a final determination letter from the appeals office until September 1989.

With respect to enhancing its compliance program, the SA included a vendor abuse detection component in its automated WIC Program Management System, "PASPORT." This component is designed to generate high risk vendor reports. In October 1989, the SA began piloting the PASPORT vendor management component using real data. Full implementation is expected by June 1990.

The SA also followed up on FIs reported as having been redeemed by unauthorized vendors and vendors without identification numbers. The research was labor-intensive and costly, and corrective action had already been taken. Thus, the SA concluded that continuing the project would not be cost-effective. FNS insisted that the SA research the entire sample because its size had been set to provide assurance at the 99 percent

confidence level that the characteristics of the sample mirrored those of the entire FI population. The SA agreed to research additional FIs to provide assurance at the 95 percent confidence level. FNS agreed to accept that degree of assurance.

With respect to establishing a cutoff date for accepting FIs from disqualified vendors, the SA included in its contract for FI processing services a provision that its fiscal agent routinely screen FIs for inactive or invalid vendor numbers. Final action on this recommendation was delayed by the need to research the FIs reported in the audit as having been redeemed after the vendors' termination dates. The SA's research disclosed no redemption errors. Since the audit report presented summary data by vendor rather than data on individual FIs, the SA needed more data to pursue the matter further. FNS elected to accept the research already done.

50. **Special Supplemental Food Program for Women, Infants and Children Vendor Monitoring and Food Instrument Delivery Systems, issued June 15, 1988.***

The audit recommended that FNS establish minimum requirements for high-risk vendor identification and establish effective high-risk vendor investigative requirements. Final action is not complete on these recommendations because it depends upon issuance and implementation of final regulations on food delivery in the WIC Program. A proposed rule on this subject is currently being cleared for publication in the Federal Register.

51. **Special Supplemental Food Program for Women, Infants and Children (WIC) as Administered by the Illinois Department of Public Health, issued April 29, 1988.***

The audit recommended that FNS develop and implement a plan to correct the conditions described in the audit report; impose sanctions upon the SA if the SA did not agree to implement the plan or failed to implement it in a timely manner; and conduct periodic management evaluations of the SA until completion of corrective action. It was recommended that the SA strengthen accountability and security over WIC food instruments, to include maintaining a perpetual inventory of food instruments and periodic physical inventories to account for food instruments at the State level; and identify the dollar amount of duplicate benefits improperly provided to participants and remit this amount to FNS. Implementation of these actions is tied into the development and implementation of the SA's new mainframe system for controlling WIC food delivery. At the time the audit was made, the SA had an advance planning document (APD) in process for the development of this system. The APD was revised to incorporate controls and procedures recommended in the audit. FNS confirmed that these procedures are being followed.

The audit report presented a number of items as monetary findings. Before agreeing to final action FNS requested more information on these items. FNS is currently analyzing the information to determine whether any of these items represents a loss to the program and, if so, whether it has been collected.

52. Food Stamp Program (FSP) Casefile Documentation, issued July 19, 1988.

The audit recommended that FNS establish a claim against the Florida Department of Health and Rehabilitative Services for FSP issuances to households for which documentation supporting eligibility was missing or incomplete. The audit recommended that FNS require the SA to monitor local districts' semiannual reconciliations of the FSP issuance masterfile against casefile documentation to ensure the designated persons actually locate each required document; instruct local districts to document their reconciliation listings in order to demonstrate that each required document had been located; closely monitor its new procedures for supervisory controls to ensure that eligibility workers adequately perform and document all verification items required by the FSP regulations; and establish claims against households identified as receiving overissued FSP benefits.

The SA appealed the monetary findings. On April 16, 1989, the State Food Stamp Appeals Board ruled that the SA should not have been billed for certain classes of cases. The Appeals Board upheld billing the SA for a portion of the money. The collection completed final action on all monetary findings in this audit.

The remaining nonmonetary findings called for the SA to revise numerous documents and publications, such as procedures manuals, planning documents, pro forma reconciliation workpapers, related instructions, etc. FNS has received information documenting some progress in these areas. However, the State required its FSP Office (and other program offices as well) to divert considerable staff resources from regular FSP administration to work on a Statewide, multi-program computer system. This has impeded the SA's completion of final action on these matters. Consequently, FNS has received no formal report to the effect that the SA has completed corrective actions sufficient to warrant final action.

53. Arizona Department of Economic Security, issued August 29, 1986.*

The audit recommended that FNS require the SA to improve its system for monitoring claims established against households to recover Food Stamp Program benefits improperly paid.

State officials place a higher priority on improving the accuracy and timeliness of processing new applications. Their concern stems largely from McGowen vs. Arizona, which culminated in a court order requiring the SA to process applications within the 30 days prescribed by program regulations. State officials have advanced compelling arguments why eliminating the backlog would not be cost effective. For these reasons,

they have not set a high priority on complying with FNS' requests to commit staff to reviewing the backlog of potential overpayments. Much of the backlog remains unreviewed.

In May 1989, FNS notified the SA that a formal warning of sanctions would be issued if compliance was not forthcoming. FNS did not receive a satisfactory response and issued a formal warning on February 20, 1990. The warning letter advised that FNS would impose an administrative sanction of \$64,616 per quarter, retroactive to May 1989. The SA responded on March 16, 1990, by transferring responsibilities for the backlog from the SA's collection agency to a SA welfare program project management team. The SA estimates the team will complete the backlog by June 30, 1990. FNS is holding the formal warning in abeyance, but will proceed with the administrative sanction if the SA is unable to complete the project by the stated date.

54. Washington Department of Social and Health Services, issued July 28, 1988.

This is an organization-wide audit conducted under the Single Audit Act of 1984 and OMB Circular A-128. The cognizant audit agency responsible for overall coordination of followup is the Department of Housing and Urban Development's (HUD) OIG. The audit found that the CAP needed correction; the use of random moment time studies for cost allocation needed improvement (Finding 2); the accounting for capital leases on equipment used in operating Federal programs needed improvement (Finding 6); and the auditee needed to maintain source documentation on the costs of Federal programs (Finding 15). Questioned costs relating to FNS programs included \$43,692 under Finding 1 and \$3,747 under Finding 6.

Finding 15 was the only finding related exclusively to FNS programs. Corrective action was promptly taken. The other findings involve issues that cut across agency and program lines. The HUD-OIG assigned followup on these crosscutting issues to the DHHS. On November 9, 1988, FNS and the OIG reached management decisions on these findings, with the provision that the decision would ultimately depend on action by DHHS. On April 21, 1989, the OIG advised FNS that the DHHS-OIG had requested the DHHS Division of Cost Allocation (DCA) to make further followup on the CAP. That effort is still ongoing and final action will depend on the DCA's determination. Until then, the \$43,692 questioned by the auditors under Finding 1 remains a questioned cost and does not represent a debt due FNS. The DHHS has made no final determination on Finding 2. The auditors had attributed the \$3,747 in questioned costs under Finding 6 to the auditee's charging the interest component of lease costs to FNS programs. Since this is clearly prohibited by program regulations, FNS proceeded to collect it. Since DHHS has not yet made a final determination on this matter, final action may entail establishing and collecting an additional claim under Finding 6.

55. Nebraska Department of Health, issued October 28, 1988.

The audit recommended that the Nebraska Department of Health perform financial monitoring and require an audit of the Viking Computing, Inc. service center. Completion of final action for this audit is pending the performance of the audit by an independent contractor. The Nebraska SA prepared a Request for Proposal (RFP) for an independent audit of Viking Computing, Inc. in February 1989. As agreed, the draft RFP was provided to the OIG for review and comment. Recommendations from the OIG on the draft RFP were not received until December 1989, which delayed issuance of the final RFP and the completion of action on this audit. The Nebraska SA incorporated the OIG's recommendations into a final RFP. Two other SAs using Viking Computing, Inc. will share the costs and results of the independent audit. Since the two SAs must clear the RFP before it is issued, this has further delayed final action.

56. Alaska Department of Education, issued January 25, 1989.

This is an organization-wide audit conducted under the Single Audit Act of 1984 and OMB Circular A-128. The cognizant Federal audit agency responsible for coordinating the overall processing of this audit is the Department of Education Inspector General (DOEd-OIG).

The audit contained findings on overstated meal counts in the NSLP and findings involving issues that cut across agency and program lines. Because the SA did not maintain sufficient documentation to support personal services costs charged to Federal programs, the auditors questioned \$60,592 relating to FNS programs. The DOEd-OIG is following up on these crosscutting findings. The USDA-OIG instructed FNS that claims action cannot commence until notification is received from the DOEd-OIG.

57. American Samoa Government Department of Education (ASGDOE), issued January 31, 1989.

The audit recommended that the ASGDOE reconcile its subsidiary records against its grant fiscal control records for the NSLP and SBP and charge expenses to the proper accounts for the NSLP and SBP.

The audit coincided with a comprehensive management evaluation review of the ASGDOE made by FNS. FNS' evaluation generated a wide range of findings relating to the NSLP and SBP. OIG agreed to a management decision on the audit, contingent upon the subsequent receipt of FNS' management evaluation report and related letter of determination. Final action would occur when ASGDOE furnished evidence to FNS that all actions prescribed in its corrective action plan for the audit findings had been implemented. This has been accomplished and FNS is preparing a recommendation for final action.

58. FGIS Grain Inspection Processes and Procedures, issued August 30, 1988.*

The audit recommended that FGIS develop and implement a method to more accurately measure moisture in corn, preferably a method that employs the use of ground rather than whole kernel corn. Final action was delayed because a significant amount of time was required to research the methods available and obtain a database sufficient to calibrate electronic instruments. However, the research for air oven calibration is now completed and is being reviewed by FGIS. If the recommendation is accepted and approved, Federal Register notification and a comment period are required. An additional 3 years may be needed to obtain a database sufficient upon which to calibrate electronic instruments.

59. South Dakota Department of Agriculture (SDDA), issued November 9, 1987.

APHIS agreed to require revised financial reports for FYs 1985 and 1986 and obtain documentation that a claim was established either for disallowed costs or recovery made. APHIS billed the State for the disallowed costs. Final action is delayed due to the State questioning the billed amounts.

60. Missouri Department of Agriculture, issued July 28, 1988.

APHIS agreed to ensure that Federal financial reports were accurate and timely; procedures were established to document and monitor matching costs and requirements for all Federal programs; and procedures were in place at the SA to obtain written extensions prior to expending funds after a grant period has ended. APHIS is working with the Missouri Department of Agriculture to resolve the questioned cost issue.

61. Kansas Animal Health Department (KAHD), issued October 8, 1987.*

APHIS agreed to ensure that actual program costs were reported by KAHD and determine whether the agreement allows carry over of unspent Federal monies from 1 fiscal year to the next and, if not, whether KAHD was billed for the full amount of questioned costs. The State neglected to maintain adequate documentation to support expenditures charged to the program. APHIS billed the SA for reimbursement of disallowed costs. Final action is delayed due to the State questioning these amounts.

62. PCIE Computer Systems Integrity Project, issued September 30, 1988.

The audit recommended that OIRM review all non-IBM Supervisor Calls (SVC) whose vendors have not provided integrity statements concerning impact on Multiple Virtual Storage (MVS) integrity and security; determine their impact on systems security; and require software vendors who provide SVCs with their products to furnish a systems integrity statement or installation procedures for maintaining the integrity of the MVS operating system.

OIRM is seeking a permanent solution to the security problem in the Integrated Data Base Management System (IDMS) used by the National Computer Center in Kansas City. However, this action cannot occur until Computer Associates International (CAI), the current owners of the IDMS, release a protective IDMS code currently under development. In the interim, OIRM is testing a temporary IDMS security change suggested by CAI. OIRM is simultaneously evaluating a protective IDMS code provided by the Central Intelligence Agency.

63. **Procurement and Technical Approval of ADP Equipment and Software in USDA, issued April 1, 1987.***

OIRM agreed to obtain written certifications that USDA Agencies have completed the actions detailed in their Technical Approvals and Delegations of Procurement Authorities; consider issuing policy imposing penalties; determine the feasibility of requiring Agencies to submit cost-benefit analysis data in a specific format; notify Agencies that they should contact OIRM for assistance in completing a cost-benefit analysis; and finalize the automated tracking system for monitoring conditional approvals of ADP equipment/systems and requests for approval.

OIRM is waiting for the final review of the new USDA IRM Strategic Plan. The Plan proposes some additional revisions in DR 3130-1 to tie IRM acquisition technical approvals more closely with IRM long-range planning and the budget process. The anticipated completion date is July 1990.

64. **OIRM Automated Data Process (ADP) Maintenance Agreements Within the Department of Agriculture, issued March 23, 1987.***

OIRM agreed to develop guidance for proper maintenance of ADP equipment, repair cost information, equipment downtime and costs; to determine the need for a budget object classification for ADP maintenance; and to require all USDA Agencies to use OFM's National Finance Center's (NFC) inventory system for tracking ADP equipment.

OIRM experienced delays in developing policies and procedures for a separate DR on maintenance of ADP equipment. Recent advances in IRM technologies have dictated a reassessment of the maintenance procedures that would be cost beneficial to implement within USDA. The need to establish a new budget classification for ADP maintenance is being coordinated with the issuance of ADP maintenance procedures in a DR. OIRM expects to complete these actions by July 1990. OIRM is waiting for the GSA's evaluation of needs for the Federal ADP Equipment Inventory System prior to recommending modifications to the Property Management Information System at NFC and issuance of Departmental guidance.

APPENDIX

AGENCY STATISTICAL TABLES SHOWING FINAL ACTION
ON OIG AUDITS WITH MONETARY FINDINGS

Agricultural Stabilization and Conservation Service
 Final Action on OIG Audits with Disallowed
 Costs and With Recommendations to Put Funds to Better Use
 For the 6-Month Period Ending March 31, 1990

	<u>Disallowed Costs</u>		<u>Funds to be Put to Better Use</u>	
	Number of OIG Audit Reports	Amount	Number of OIG Audit Reports	Amount
A. Management decisions with no final action at the beginning of the period	24	\$21,404,257 ¹	11	\$1,001,826,292 ⁴
B. Management decisions made during the period	21	4,922,694 ²	14	19,268,379 ⁵
C. Final action taken during the period	8	256,421 ³	9	13,926,087 ⁴
1. Recoveries				
(a) Collections		3,007,812		
(b) Other		342,008		
2. Write-offs		95		
3. Total (1 + 2)		\$3,349,915 ⁶		
4. Recommendations (completed)				249,472 ⁷
5. Recommendations not implemented or completed.				0
6. Total (4 + 5)				\$249,472
D. Reports needing final action at the end of the period	37		16	

See footnotes on the next page.

(ASCS continued)

¹Of the \$21,404,257 in disallowed costs, \$2,383,164 was reduced through administrative appeal; \$3,651 was reduced by the contracting officer; ASCS obtained documentation to support \$3,156,451 in allowable costs; \$9,059,487 is under administrative appeal; and \$825,096 is under investigation.

²Of this amount \$116,745 was reduced through administrative appeal; \$1,903 was reduced by the contracting officer; and \$1,020,395 is under administrative appeal.

³This amount was reduced by \$116,745 through administrative appeal; \$3,651 by the contracting officer; and \$3,517 with documentation obtained by ASCS to support the cost.

⁴This amount was reduced to \$360,034 by the contracting officer. ASCS had insufficient data or information from OIG to reconcile with agency records.

⁵Of this amount \$4,839,141 is under administrative appeal.

⁶Collections include \$2,939,211 for five audits without final action.

⁷ASCS has implemented the recommendation on Funds to be Put to Better Use, but final action has not occurred on all audit recommendations.

Foreign Agricultural Service
Final Action on OIG Audits with
Recommendations to Put Funds to Better Use
For the 6-Month Period Ending March 31, 1990

	<u>Funds to be Put to Better Use</u>	
	Number of OIG Audit Reports	Amount
A. Management decisions with no final action at the beginning of the period	1	\$183,783
B. Management decisions made during the period	2	180,163,142
C. Final action taken during the period		
1. Recommendations (completed)		0
2. Recommendations not implemented or completed.		0
3. Total (1 + 2)		\$0
D. Reports needing final action at the end of the period	3	

Farmers Home Administration
Final Action on OIG Audits with Disallowed
Costs and With Recommendations to Put Funds to Better Use
For the 6-Month Period Ending March 31, 1990

	<u>Disallowed Costs</u>		<u>Funds to be Put to Better Use</u>	
	Number of OIG Audit Reports	Amount	Number of OIG Audit Reports	Amount
A. Management decisions with no final action at the beginning of the period	12	\$8,503,619 ¹	10	\$754,953,317 ⁴
B. Management decisions made during the period	13	15,269,880 ²	6	61,720,853
C. Final action taken during the period	10	997,829 ³	4	256,713,655
1. Recoveries				
(a) Collections		5,138,373		
(b) Other		7,119,580		
2. Write-offs		251,855		
3. Total (1 + 2)		\$12,509,808 ⁵		
4. Recommendations (completed)				0
5. Recommendations not implemented or completed.				0
6. Total (4 + 5)				\$0
D. Reports needing final action at the end of the period	15		12	

¹Documentation obtained by FmHA reduced this amount by \$445,253. The \$997,829 includes \$28,057 under investigation and \$133,360 is being collected under a repayment schedule.

²This amount was reduced by \$102,200 due to documentation obtained by FmHA and changes in the management decision.

³This amount was reduced to \$537,173 due to documentation obtained by the agency. Additionally, \$92,820 is being collected under a repayment schedule.

⁴The agency is now questioning \$6,100,000.

⁵This amount includes collections on audits without final action.

Federal Crop Insurance Corporation
Final Action on OIG Audits with Disallowed
Costs and With Recommendations to Put Funds to Better Use
For the 6-Month Period Ending March 31, 1990

	<u>Disallowed Costs</u>		<u>Funds to be Put to Better Use</u>	
	Number of OIG Audit Reports	Amount	Number of OIG Audit Reports	Amount
A. Management decisions with no final action at the beginning of the period	4	\$5,876,985 ¹	2	\$12,924,762 ³
B. Management decisions made during the period	30	135,109 ²	1	658 ⁴
C. Final action taken during the period	1		0	0
1. Recoveries				
(a) Collections		31,507		
(b) Other		2,336		
2. Write-offs		160		
3. Total (1 + 2)		\$34,003 ⁵		
4. Recommendations (completed)				0
5. Recommendations not implemented or completed.				0
6. Total (4 + 5)				\$0
D. Reports needing final action at the end of the period	33		3	

¹This amount was reduced by \$634,828 based on documentation obtained by the agency. An additional \$5,063,514 is under either administrative or judicial appeal.

²Of this amount, \$8,633 is under administrative appeal.

³Of this amount, \$12,444,762 is under either administrative or judicial appeal.

⁴The amount of \$658 is under administrative appeal.

⁵This reflects collections for audits without final action.

Rural Electrification Administration
Final Action on OIG Audits with Disallowed
Costs and With Recommendations to Put Funds to Better Use
For the 6-Month Period Ending March 31, 1990

	<u>Disallowed Costs</u>		<u>Funds to be Put to Better Use</u>	
	Number of OIG Audit Reports	Amount	Number of OIG Audit Reports	Amount
A. Management decisions with no final action at the beginning of the period	1	\$273,481	2	\$180,823,195 ¹
B. Management decisions made during the period	0	0	0	0
C. Final action taken during the period	1	273,481	1	179,323,195
1. Recoveries				
(a) Collections		273,481		
(b) Other		0		
2. Write-offs		0		
3. Total (1 + 2)		\$273,481		
4. Recommendations (completed)				0
5. Recommendations not implemented or completed.				0
6. Total (4 + 5)				\$0
D. Reports needing final action at the end of the period	0		0	

¹Of this amount, REA is questioning \$1,500,000.

Food and Nutrition Service
 Final Action on OIG Audits with Disallowed
 Costs and With Recommendations to Put Funds to Better Use
 For the 6-Month Period Ending March 31, 1990

	<u>Disallowed Costs</u>		<u>Funds to be Put to Better Use</u>	
	Number of OIG Audit Reports	Amount	Number of OIG Audit Reports	Amount
A. Management decisions with no final action at the beginning of the period	87	\$10,176,415 ¹	9	\$177,239,126 ⁴
B. Management decisions made during the period	30	2,156,830 ²	8	37,900,424
C. Final action taken during the period	51	963,370 ³	2	434,864
1. Recoveries		3,802,977		
(a) Collections		492,019		
(b) Other				
2. Write-offs		11,180		
3. Total (1 + 2)		\$4,306,176 ⁵		
4. Recommendations (completed)				0
5. Recommendations not implemented or completed				0
6. Total (4 + 5)				0
D. Reports needing final action at the end of the period	66		15	

See footnotes on the next page.

(FNS continued)

¹ FNS provided additional documentation to support those costs thus reducing this amount by \$2,306,907; \$58,510 was reduced through administrative appeal; and interest of \$162,989 is included in this amount. This figure also reflects \$3,393,361 under administrative or judicial appeal and \$213,071 is being collected through a repayment schedule.

² FNS is questioning \$67,520. Additionally, \$407,761 of this amount was reduced based on documentation obtained by FNS; \$112,489 is under administrative appeal; and \$19,900 is being collected under a repayment schedule.

³ FNS is questioning \$558,020. Documentation obtained by FNS further reduces this amount by \$23,966.

⁴ FNS is questioning \$170,091,044. An additional \$646,505 is under administrative appeal.

⁵ Collections include funds being recovered through payment schedules and audits without final action.

Agricultural Marketing Service
Final Action on OIG Audits with Disallowed Costs
For the 6-Month Period Ending March 31, 1990

	<u>Disallowed Costs</u>	
	Number of OIG Audit Reports	Amount
A. Management decisions with no final action at the beginning of the period	3	\$472,294 ¹
B. Management decisions made during the period	0	0
C. Final action taken during the period	0	\$0
D. Reports needing final action at the end of the period	3	

¹Of this amount \$92,193 is under judicial appeal.

Animal and Plant Health Inspection Service
Final Action on OIG Audits with Disallowed
Costs and With Recommendations to Put Funds to Better Use
For the 6-Month Period Ending March 31, 1990

	<u>Disallowed Costs</u>		<u>Funds to be Put to Better Use</u>	
	Number of OIG Audit Reports	Amount	Number of OIG Audit Reports	Amount
A. Management decisions with no final action at the beginning of the period	4	\$31,218 ¹	2	\$102,586
B. Management decisions made during the period	1	481,584	2	18,234,753
C. Final action taken during the period	1	\$5,907	0	0
1. Recoveries				
(a) Collections		0		
(b) Other		5,907		
2. Write-offs		0		
3. Total (1 + 2)		\$5,907		
4. Recommendations (completed)				0
5. Recommendations not implemented or completed.				0
6. Total (4 + 5)				\$0
D. Reports needing final action at the end of the period	4		0	

¹ A revised management decision and documentation provided to APHIS to support these costs reduced this amount by \$15,611.

Food Safety and Inspection Service
Final Action on OIG Audits with Disallowed Costs
For the 6-Month Period Ending March 31, 1990

	<u>Disallowed Costs</u>	
	Number of OIG Audit Reports	Amount
A. Management decisions with no final action at the beginning of the period	2	\$2,564,430
B. Management decisions made during the period	1	41,149
C. Final action taken during the period	1	42,150
1. Recoveries		
(a) Collections		42,150
(b) Other		0
2. Write-offs		0
3. Total (1 + 2)		\$42,150
D. Reports needing final action at the end of the period	2	

Packers and Stockyards Administration
 Final Action on OIG Audits with
 Recommendations to Put Funds to Better Use
 For the 6-Month Period Ending March 31, 1990

	<u>Funds to be Put to Better Use</u>	
	Number of OIG Audit Reports	Amount
A. Management decisions with no final action at the beginning of the period	1	\$300,000
B. Management decisions made during the period	0	0
C. Final action taken during the period	1	300,000
1. Recommendations (completed)		300,000
2. Recommendations not implemented or completed		0
3. Total (1 + 2)		\$300,000
D. Reports needing final action at the end of the period	0	

Office of Finance and Management
Final Action on OIG Audits with
Recommendations to Put Funds to Better Use
For the 6-Month Period Ending March 31, 1990

	<u>Funds to be Put to Better Use</u>	
	Number of OIG Audit Reports	Amount
A. Management decisions with no final action at the beginning of the period	1	\$178
B. Management decisions made during the period	0	0
C. Final action taken during the period	1	178
1. Recommendations (completed)		178
2. Recommendations		0
3. Total (1 + 2)		\$178
D. Reports needing final action at the end of the period	0	

Office of Operations
Final Action on OIG Audits with
Recommendations to Put Funds to Better Use
For the 6-Month Period Ending March 31, 1990

	<u>Funds to be Put to Better Use</u>	
	Number of OIG Audit Reports	Amount
A. Management decisions with no final action at the beginning of the period	2	\$0
B. Management decisions made during the period	1	1,904,155
C. Final action taken during the period	3	1,904,155
1. Recommendations (completed)		1,904,155
2. Recommendations not implemented or completed		0
3. Total (1 + 2)		\$1,904,155
D. Reports needing final action at the end of the period	0	

Forest Service
Final Action on OIG Audits with Disallowed
Costs and With Recommendations to Put Funds to Better Use
For the 6-Month Period Ending March 31, 1990

	<u>Disallowed Costs</u>		<u>Funds to be Put to Better Use</u>	
	Number of OIG Audit Reports	Amount	Number of OIG Audit Reports	Amount
A. Management decisions with no final action at the beginning of the period	3	\$325,296	7	\$4,690,785 ¹
B. Management decisions made during the period	1	0	6	25,879,901 ²
C. Final action taken during the period	0	\$0	6	27,727,406 ²
1. Recommendations (completed)				4,711,476 ³
2. Recommendations not implemented or completed.				1,140,424
3. Total (1 + 2)				\$5,851,900
D. Reports needing final action at the end of the period	4		1	

¹Of this amount, \$1,772,129 is in administrative appeal and \$668,656 is in judicial appeal.

²This amount was reduced by \$2,461,467 based on the contracting officer's decision and \$1,140,424 by OIG.

³Of this amount, \$2,250,000 represents increased revenues to the U.S. Treasury.

Soil Conservation Service
Final Action on OIG Audits with Disallowed
Costs and With Recommendations to Put Funds to Better Use
For the 6-Month Period Ending March 31, 1990

	<u>Disallowed Costs</u>		<u>Funds to be Put to Better Use</u>	
	Number of OIG Audit Reports	Amount	Number of OIG Audit Reports	Amount
A. Management decisions with no final action at the beginning of the period	1	\$199,958	6	\$2,054,201 ¹
B. Management decisions made during the period	1	1,123,024	4	366,075
C. Final action taken during the period	0	\$0	4	366,075
1. Recommendations (completed)				366,075
2. Recommendations not implemented or completed.				0
3. Total (1 + 2)				\$366,075
D. Reports needing final action at the end of the period	1		2	

¹Of this amount, \$762,375 is under administrative appeal.

Agricultural Research Service
 Final Action on OIG Audits with Disallowed
 Costs and With Recommendations to Put Funds to Better Use
 For the 6-Month Period Ending March 31, 1990

	<u>Disallowed Costs</u>		<u>Funds to be Put to Better Use</u>	
	Number of OIG Audit Reports	Amount	Number of OIG Audit Reports	Amount
A. Management decisions with no final action at the beginning of the period	1	\$35,510 ¹	1	\$34,746
B. Management decisions made during the period	0	0	2	49,570
C. Final action taken during the period	1	\$35,510 ¹	1	4,367
1. Recommendations (completed)				20,867
2. Recommendations not implemented or completed.				24,785
3. Total (1 + 2)				\$45,652
D. Reports needing final action at the end of the period	0		2	

¹This amount was reduced to zero based on the contracting officer's decision.

Cooperative State Research Service
Final Action on OIG Audits with Disallowed Costs
For the 6-Month Period Ending March 31, 1990

		<u>Disallowed Costs</u>
	Number of OIG Audit Reports	Amount
A. Management decisions with no final action at the beginning of the period	2	\$1,005,739
B. Management decisions made during the period	1	263,354
C. Final action taken during the period	1	43,476 ¹
1. Recoveries		
(a) Collections		45,465
(b) Other		0
2. Write-offs		0
3. Total (1 + 2)		\$45,465
D. Reports needing final action at the end of the period	2	

¹This amount was redetermined by CSRS to be \$45,465.

Extension Service
Final Action on OIG Audits with Disallowed Costs
For the 6-Month Period Ending March 31, 1990

	<u>Disallowed Costs</u>	
	Number of OIG Audit Reports	Amount
A. Management decisions with no final action at the beginning of the period	1	\$1,133
B. Management decisions made during the period	2	256,666
C. Final action taken during the period	3	257,799
1. Recoveries		
(a) Collections		257,799
(b) Other		0
2. Write-offs		0
3. Total (1 + 2)		\$257,799
D. Reports needing final action at the end of the period	0	

USDA Welfare and Recreation Association
Final Action on OIG Audits with
Recommendations to Put Funds to Better Use
For the 6-Month Period Ending March 31, 1990

	<u>Funds to be Put to Better Use</u>	
	Number of OIG Audit Reports	Amount
A. Management decisions with no final action at the beginning of the period	0	\$0
B. Management decisions made during the period	1	51,209
C. Final action taken during the period		
1. Recommendations (completed)		0
2. Recommendations not implemented or completed.		0
3. Total (1 + 2)		\$0
D. Reports needing final action at the end of the period	1	

AGENCY OIG AUDITS UNDER APPEAL OR LEGISLATIVE SOLUTION

AGENCY OIG AUDITS UNDER APPEAL OR LEGISLATIVE SOLUTION

<u>Agency</u>	<u>Administrative Appeal</u>	<u>Judicial Appeal</u>	<u>Legislative Solution</u>
AMS	-	1	-
ASCS	6	-	-
FmHA	-	1	2
FCIC	2*	3*	-
FS	4	3	-
SCS	5	1	-
FNS	5	-	-
TOTAL	<u>22</u> <u>==</u>	<u>9</u> <u>=</u>	<u>2</u> <u>=</u>

* Separate portions of one audit are in both administrative and judicial appeal.

